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BULGARIA

Economist Analyzes Changes in Ownership, Management

22000057 Sofia NOVO VREME in Bulgarian
No 2 Feb 89 pp 47-59

[Article by Ivan Angelov, doctor of economic sciences: "Radical Changes in Forms of Ownership and Management"]

[Text] Progress in the system of control of our economy, in the broadest sense of the word, can be successful if it is comprehensive. This means the following:

- radical improvement in the forms of ownership and management;
- establishment of adequate distributive relationships and their concretization through a highly developed system of economic regulators under conditions of expanding socialist competition developed to such a degree that they (the regulators) take on the attributes of a self-tuning economic system;
- an increase in the economic independence of the producers of goods and services and a resultant improvement and simplification of organizational and managerial structures.

The general intent of the party decisions made thus far, especially since the July (1987) Plenum, answers this requirement. It is very important, however, that this general conception be made specific in relevant principles, rules of conduct, managerial structures and economic standards and that all this be regulated in stable legal fashion so as to gain the confidence of the people.

Great importance for the solution of this complex problem will be attached to the documents of the December (1988) Plenum of the BCP Central Committee, as well as to the Ukase on Economic Activity and the Regulations for Its Enforcement formulated on the basis of those documents, which were adopted at the beginning of January 1989 by the State Council and the council of Ministers respectively.

It is well known that ownership relations are the heart of multistrata social relations. Radical improvement of ownership relations and the distributive relations resulting therefrom is the nucleus of the entire system of measures for restructuring control of the national economy.

Finding the most suitable modern forms of ownership and management is the most effective, speediest and "cheapest" method of sharply increasing the efficiency of economic activity and of overcoming an alienation of the people from socialist ownership and ideals that has assumed dangerous proportions.

1. Improvement in Forms of Ownership

During the past year or year and a half the staging of diversification of socialist ownership has been actively worked out in our country: ownership by the state, by cooperatives, by obshtinas, by public organizations, banks, future insurance organizations, the future pension fund, and also small-scale private ownership and various combinations thereof, as well as combinations of national and foreign owners.

Obviously the new nature and position of various forms of ownership require clarification:

State ownership. First and foremost, it must truly be state ownership, replete with a new economic and social meaning and rid of its thick overgrowth of official and bureaucratic characteristics. The socialist character of state ownership must not be judged by the fact that it is declared to be such by a legal document, but rather because it serves the interest of socialist society and its citizens.

In the future all important decisions regarding the creation, use and expanded capital replacement of state property, financed by the state budget or by the budgets of the people's councils, must be made by democratically elected bodies of state authority—the future National Assembly and the future people's councils, and must be executed by the agencies of executive and administrative authority with strict observance of the laws.

State ownership in the future should comprise mostly the larger firms, mainly in the extractive sectors, in the infrastructure, in power supply and in certain most important structure-determining manufacturing sectors. There will also have to be state ownership in economic activities with a highly social orientation, as well as in firms working for the country's defense or to fulfill our defense obligations within the framework of the Warsaw Pact.

Collective forms of ownership (cooperatives, obshtinas, public organizations, banks, insurance companies, etc.). Among these, the cooperative form of ownership is of especially great importance. It is time to begin implementing the political decisions, made in 1987, to revive cooperative ownership and to extend cooperative principles into a number of sectors and spheres of economic activity; it is time to do away with the prohibitions against cooperative organizations, to halt the intervention of state agencies into their internal affairs (internal allocation of income, the election of, and the statute governing collective administrative agencies, etc.), and to enable the cooperative movement in Bulgaria to truly live to see its second socialist rejuvenation. In this area we have not only clear theoretical principles, but also nearly a hundred years of experience in the cooperative movement.

Cooperative and obshtina firms should predominate in agriculture, in sectors of the manufacturing industry, especially those producing consumer goods, in some subsectors of light industry, in construction, in motor transportation, in trade, public food service, the hotel industry, tourism and all other services.

Cooperative, obshtina and other forms of collective ownership can be created as follows:

- by selling shares in state firms to cooperatives, obshtinas, public organizations, banks, insurance companies etc., or to firms of the latter, thus creating joint-stock state-cooperative, state-obshtina, state-cooperative-obshtina and other firms. There can also be cooperative-obshtina joint-stock firms or joint-stock companies owned by cooperatives, obshtinas, banks, public organizations etc.;
- by setting up new production units with resources of cooperatives, obshtinas, public organizations, banks, insurance companies etc., or by forming a partnership between them, as well as between them and the state on a joint-stock basis;
- by reestablishing cooperative and obshtina enterprises that were state-owned in the past. This can be done by decision of the members of former TKZS's [labor cooperative farms] or of their heirs, or of the members of the labor collectives of the brigades and APK's [agroindustrial complexes] in agriculture, of former members (or their heirs) of labor productive cooperatives, and the like. The machinery for this transformation, the arrangement of financial relations, the distribution of income etc. can easily be worked out.

Citizens' small-scale ownership. A comparatively calm, unpremeditated and serious analysis has already been begun to explain the place of this type of economic activity in the economy, proceeding first and foremost from the interests of society and from the necessity for the performance of certain vital types of activities for which state and other economic units show no liking. It must also be borne in mind that this will be a restricted economic activity, carried on under direct control of the state and within the framework of our legislation. Along with family economic activity (with no hiring of hands), already a limited use of hands is permitted—up to 10 hired permanently, with no limit on the number hired to perform seasonal and other emergency jobs.

"Citizens' firms" should cultivate economic activity in all types of consumer goods production, in material and nonmaterial services, as well as in the production of some products and services with an industrial purpose. Small-scale economic activity of this kind has existed for many years in the GDR, Poland, Hungary and Yugoslavia. The experience of these socialist countries has confirmed that it in no way undermines the pillars of socialist society, which some people in our country much fear. Just the opposite, instead.

A start has therefore been made on a substantial redistribution of functions, on a uniquely new "division of labor" among the various forms of ownership in economic activity. These "transpositions of strata" will be characterized by a reduction of the share of state ownership, by an appreciable increase in the share of collective forms of ownership, and by a certain increase in the share falling to citizens' small-scale ownership.

To be sure, these new relationships between the forms of ownership will not exist in pure form—purely state, purely cooperative, purely obshtina, etc. relationships. In all probability, the typical organizational and economic form for the production of goods and services will be the joint-stock company—joint-stock firm, a firm with limited and unlimited liability, partnership, etc.

Propertywise, organizationally and socially, the firm is an autonomous producer of goods and services with its individual name that operates on the principle of profit-and-loss accounting and is a juridical person, while the joint-stock company is a firm whose authorized capital is apportioned in shares owned by state, cooperative, obshtina and other Bulgarian firms, by citizens, as well as by foreign juridical and physical persons.

The initiative for formation, reorganization or termination of a firm may lie with a state agency, an executive committee of an obshtina or oblast people's council, bank, public organization, an existing firm, cooperative, citizens, as well as foreign firms or individual physical persons. The firm is registered in the okrug court of the okrug where it is headquartered and is considered to have been formed with effect from the date of publication of its registration in DURZHAVEN VESTNIK.

The firms themselves will determine their intrafirm organization and production structure; the rights, obligations and liabilities of the units and the mode of dealings between them; intrafirm administration, etc. The units of the firm will operate on the principle of profit-and-loss accounting.

The firms may issue bonds and shares. A bond is a security, issued by a firm of the people's council, whereby an obligation is assumed to pay the owner thereof within a specified term the interest due and the face value. The bonds may be bearer or registered bonds and shall be issued only for investment purposes by decision of the firm's board of directors or at a session of the obshtina or oblast people's council. The basic economic function of a bond is to serve to mobilize monetary resources of socialist organizations and citizens for financing the investment needs of the firm in question or of another socialist organization.

Shares may be of two types: ordinary shares and employee shares. Ordinary shares may be registered or bearer shares. Bulgarian citizens will be able to buy registered shares, while Bulgarian juridical persons, as

well as foreign juridical and physical persons may buy bearer shares. The purchase of shares by foreigners transforms the firm into a joint company.

A share gives a right to one vote at the stockholders' meeting, a right to a dividend and to a liquidation share, proportionate to the face value of the share. Bearer shares may for the time being be sold and purchased through the appropriate servicing bank, and in the near future, I assume, on the stock exchange. Such exchanges exist in all countries with developed commodity and monetary dealings. The establishment of joint-stock companies with the participation of foreign capital makes the need for a stock exchange in our country still more urgent and it should be set up in the next year or two.

The administrative authorities of the joint-stock company are the general meeting of stockholders, the management board, the control board, and the manager.

The general meeting of stockholders comprises all shareholders and a representative of the employee stockholders.

It is anticipated that half plus one of the members of the management board will be named by the agencies and organizations that provided the means for the formation of the firm, and the rest by the general meeting of the employee staff (the meeting of proxies).

The management board of the firm elects its own chairman, as well as the firm's manager, who ex officio will be a member of the management board but cannot be its chairman. Not only Bulgarian but foreign citizens as well may be elected chairman of the management board and manager of the firm.

Various firms—both state and joint-stock companies—may issue employee shares. The employee share is a security, issued by a firm, with a value to the amount wherewith the members of the employee staff participate with their own funds in financing the economic and social development of the firm and acquire the right to participate in the distribution of profits. The employee share is registered. It may be purchased only by employees, specialists and managers of the firm in question. The Ukase on Economic Activity set a maximum amount of 10,000 leva as the total face value of employee shares that one member of the employee staff may possess. On termination of the workers' legal relationship or of the firm, the face value of the employee share will be returned to the owner thereof. The face value will also be paid on request by the employee shareholder within 6 months. In this way the liquidity of funds invested in employee shares will be ensured.

Inheritance of employee shares is likewise provided for. Adult heirs of a deceased employee shareholder who are employed at the same firm will have a right to inherit employee shares. On being pensioned, the owner of

employee shares who has worked at least 10 years at the firm may keep them and retain the right to receive dividends in addition to his pension.

The dividend on an employee share will be determined by the firm's management board with no state restrictions on the maximum amount thereof. The amount of this dividend can be judged better if it is compared with the interest on personal savings deposited in the State Savings Bank, which at present is only 1 percent. Dividends will be paid from the firm's profits or, as the case may be, from the firm's income, to citizens. If there is no profit, no dividend will be paid. This direct connection between the amount of the residual profit and the amount of the dividend plus the lack of any guarantee that there will be any dividend cannot help but give rise to an intense personal concern on the part of every employee stockholder about the overall affairs of his firm, over the quality of management, the quality of investments and other economic decisions, over the efficiency of management of the available production resources, for the simple reason that with good management there will be greater profit, and that is a condition for a greater dividend as well. With favorable economic results, an employee stockholder with 10,000 leva worth of stock can receive an additional annual income of from 1000 to 1200 leva in the form of a dividend over and above his wages.

The joint-stock form of implementing economic activity has many advantages. Bearing in mind the subject of this article, let me dwell on two of these which are especially important.

First, it permits fuller economic and social realization of the potential of state property through mechanisms, well refined over the centuries, for realizing the potential of collective and private ownership. The good management of cooperative and of private property also means good management of state property too, since within the framework of a single firm or unit thereof they are inseparable in a physical and economic sense. This idea is very aptly expressed by the eminent Soviet scientist and party worker A.N. Yakovlev. He writes, "Only when public socialist property is in some part and in some forms simultaneously property of specific producers can an objective situation be created in which such a producer, in fighting for his own interests, will simultaneously strive for the public interests." (Footnote: A.N. Yakovlev in the newspaper PRAVDA, 11 August 1988, p 2)

Second, it offers an effective and highly objective mechanism for pouring resources from sectors and activities of low efficiency and no prospects over into sectors and activities of high efficiency and great promise since shares of stock in efficient industries and activities ensure a higher dividend. Worldwide experience has shown that the joint-stock form is a very effective means for speedy, economically effective and, to a great degree,

automatic (in the economic sense of this concept) formation of up-to-date sectorial, product and export structures, as well as for effective updating.

Application of the joint-stock principles to economic activity necessitates making a substantial revaluation of the employee staff's present understandings of self-management, including the role of their general meeting. Stated otherwise, this necessitates some of us freeing ourselves from the captivity of "self-management romanticism," treading firmly on the ground and relying on real economic relations, for Bulgarian and foreign experience confirms that there can be no genuine self-management with its derivative rights and obligations detached from ownership of the means of production.

Perhaps only he should, and deserves to, manage himself who owns the means of production, who contributed directly to creating them with his own accumulations and assumed the risk of losing his entire fortune invested in them through inefficient conduct of economic activities. Only such a person can be a genuine co-owner and operator of the means of production with a profound conviction founded on vital interests. Absent this condition, he may be referred to variously—as co-owner and operator—but the motivations that objectively shape his conduct as co-owner and operator will be lacking.

A workforce whose attitude towards ownership of the means of production in the firm in question lacks immediacy can hardly, and should hardly be self-managing in the strict sense of the word. These means of production were created with depersonalized state subsidies or with bank credits over the course of years and there is hardly any economic or moral reason why they should be placed at the disposal of the workforce in its present makeup, which is different from the one that existed 5 to 7 years ago, as well as from the one that will exist 5 to 7 years hence. The present members of the workforce in an enterprise are linked with it primarily or solely by a labor-law relationship that may not have existed 1 or 2 years ago and may not exist 1 or 2 years hence. What serious economic grounds are there for granting the means of production to this membership of the workforce for management and control, for concluding a long-term contract with them, for holding an entirely different membership of the workforce and their administrative authorities responsible for its observance, say 5, 10 or 15 years hence? I doubt that there are any such grounds!

This conception of self-management, based on the immediate ownership of the means of production, also makes imperative a revaluation of the role of trade unions in the firms carrying on economic activities. Hitherto it has been thought that their functions had to change substantially (i.e., be restricted) if there existed a general meeting of the workforce, declared to be the highest authority that elects and dismisses the members of the economic and control council, as well as the

director, and also makes a number of other most important decisions. This, however, is changing and a vacuum is forming that must be filled. There is no other organization of workers that can better fill it than some new, updated, authentic trade unions, capable of defending the economic and social interests of their members against the management of the firm—state, joint-stock or private.

From what has been said above, it follows that the socialist forms of ownership, rid of the bureaucratic and dogmatic strata deposited on them throughout the decades, and vigorously democratized and personified, i.e., after they have become truly socialist, will be the backbone of our economic and political system, not only due to their new economic and social substance and to their dominant share in the ownership of the means of production, but also due to their decisive position in the structure-determining sectors and spheres of activity. Thanks to this, the role of future genuine public ownership in the functioning of the economy will be much greater and more realistic than heretofore.

The three forms of ownership, both in their pure aspect as well as in their highly integrated form—the joint-stock company, will function, will complement one another and will compete in a political, economic and social climate formed by the democratic institutions of the socialist state under the political leadership of the Communist Party.

The orientation towards a diversity of forms of ownership in economic activities presupposes doing away with hierarchical relationships between the various forms of ownership. This means that all forms of ownership will be equal before the law and in respect of both their rights and their obligations: in taxation, in the extension of credit, in the receipt of subsidies and bonuses, in price-setting, in the awarding of government orders, in supplies of raw and other materials and power sources, in environmental protection, in observance of social and labor legislation, state standards, etc. Unless such ownership relations are created, there can be no socialist commodity production, nor can the socialist market mechanism which we shall rely on so much in the future operate.

What has thus far been pointed out means that an important feature of the modern form of socialism for which we are striving is that there be a developed socialist commodity production, based on diversity and full equality of the forms of socialist ownership, including the permission of citizens' small-scale economic activities. This type of economic activity will not, however, for the reasons indicated above, be identical with the small-scale private economic activities under a capitalist economy.

This model of the future socialist economy can be characterized as a socialist mixed economy—mixed among different socialist owners, mixed among national

and foreign owners, as well as different national owners (public ownership and ownership by citizens) and numerous combinations thereof.

In this new type of socialist economy the socialist state, taking market relationships into consideration, will, through its representative bodies of authority, play a very important part in the state sector—mainly in the infrastructure and in certain other sectors. In other sectors of the economy and forms of ownership, socialist market relationships will play a principal role alongside the rules established by the state. To be sure, here too there will be some special features in the *obshtina* form and, to a certain extent, in the cooperative form as well.

Any direct administrative intervention of party, state and other authorities must be precluded as long as the firm is operating within the framework of the law. In the event of a violation of the laws, authorities of the court and the public prosecutor's office will intervene, but not state and party authorities. Once adopted by constitutionally established procedure, the laws must be above everybody and everything—above any party, state, economic, public, and other authorities. Only when we reach such a state in our society will we have grounds to call ourselves a government of laws.

2. Improvement in Forms of Management

Under small-scale ownership by citizens of the means of production, the owner and the operator, the owner, the foreman and the person doing the job will be the identical person. This creates effective conditions for the fuller realization of the economic potential of ownership, and no economic preconditions exist for a dangerous alienation of man from the means of production and from the product of labor. In this type of firm, in all probability the completest and, at the same time, the most simplified form of profit-and-loss accounting, piecework modes of job assignment etc. will be practiced.

Under collective forms of ownership of the means of production and, first and foremost, under the most popular form among these—the cooperative form, there will be full or fairly broad partial coincidence between owners (member cooperators) and members of the workforce, and almost full coincidence between owners and members of the administrative authorities. Conditions for alienation from the means of production and from the product of labor will not exist in these cases, either. Cooperative enterprises most likely will employ various forms of profit-and-loss accounting and piecework as well as leasing relationships.

Under state ownership (I refer to the updated state ownership) there will be no coincidence between owner and operator, between owner and foreman. Members of the workforce in their capacity as citizens of our state are a kind of fictional co-owners of the means of production, but this relationship is so mediate that it does not

operate effectively and is incapable of generating efficient economic behavior in the people. The most convincing evidence of this is the fact that there is alienation from the means of production and from the product of labor.

The big question is how to overcome the alienation from state ownership that exists now and will arise in the future? This can be achieved through simultaneous and systematic actions in three directions:

- through a highly developed system of economic regulators (prices, taxes, credit, rate of exchange for currency), employed in a setting of competition;
- through appropriate forms of the organization of management: wide employment of profit-and-loss accounting, extending as far as the individual; modern organization and payment of labor; employment of piecework principles;
- through advanced leasing relationships.

In the following lines let me dwell only on the lease as an economic relationship.

The most general intention in conveying items of state property to labor collectives for management and administration (Declaration of the National Assembly, dated 29 April 1987) was precisely this: to remove state means of production from a status of anonymity and insignificance and to contribute to overcoming people's alienation from them. The interpretation of the Political Bureau's decision and of the National Assembly's Declaration proved inept, however. The same held true for their implementation, too. This interesting idea remained only an idea and needed elaboration and concretization. Failing this, one could hardly count on any significant change in converting the socialist toiler into a genuine proprietor, in effecting a transfer of real power.

We are confronted with a serious risk of compromising even the idea itself, for the so-called "conveyance" reduced to a ceremonial act with no actual changes occurring in the labor collectives.

How to get out of this situation?

To begin with, what form the conveyance of items of socialist property will take has to be clarified. This could be accomplished in two ways.

First, conveyance through sale of pertinent actual parts or shares of state property to other socialist subjects of economic activity, thereby achieving personification of the ownership. The means for effecting this sale is the stock share, and the form in which this new type of ownership functions is the joint-stock company. In this case, however, I am referring to a change of owner, and not just to a change of operator. The state ceases to own

the portion in question of the means of production and this right is acquired by other subjects—shareholders in the joint-stock company. The Ukase on Economic Activity does not provide that on reorganizing state-owned firms into joint-stock companies the state will retain a certain minimum of the shares' face value. We dwelt on this form of conveyance of property in the foregoing exposition.

Second, the conveyance of items of socialist property to labor collectives for operation and control must develop into a conveyance of means of production on lease, i.e., under a rental contract.

Thus, by means of both forms—sale of ownership of means of production and conveyance of a right to operate means of production, this interesting—and, indeed, innovative—conception for the conveyance of items of socialist property will cease to be a formality and will be replete with economic and social meaning, will mobilize personal interests, will shape new conduct.

Now then, what is the lease about which much has been written and said recently?

A lease is an economic relationship whereby one party—the owner—conveys to the other party—the operator—means of production for protracted use in return for payment which is stipulated by contract. The owner, throughout the life of the leasing relationship, retains his ownership of the property conveyed for operation, and the operator should not have a right to sublease this property to third persons.

The lease as an economic relationship has long been known worldwide. Engels in his time wrote about it. It existed in our country, too, before 9 September 1944 and for a short time thereafter when it was abolished because it was regarded as an exploitative relationship. Whether the character of a leasing relationship is exploitative or not does not, however, derive so much from its intrinsic character as from the overall economic conditions under which it is employed, as well as from the character of the specific leasing relationship. Present-day general economic and political conditions in our country are not conducive to transforming a lease into an exploitative relationship, but this does not preclude the owner of means of production from imposing, in a specific leasing contract, such onerous conditions on the lessee that the leasing relationship assumes an exploitative character.

Relationships of this type were rehabilitated in our country in 1987 by the well-known Decree No 35 of the Council of Ministers. An important new stride towards their expansion has now been made by the Ukase of Economic Activity and the Regulations for Its Enforcement.

Various types of means of production can be conveyed for operation: machinery and equipment, vehicles, inventory, land, orchards and vineyards, irrigation

equipment, various types of agricultural machinery, housing stock, stores, restaurants, hotels, establishments for the performance of material and nonmaterial services, social and cultural facilities, production and non-production buildings, small-scale facilities for the production of goods and services. It is hardly likely that material and physical elements of working capital should be conveyed for such operation. They will either be purchased by the lessee or converted into a bank credit in his name.

The lessor may be any firm and other socialist organization that owns means of production. The property will be conveyed for operation by decision of the management board of the firm. In cooperative firms this should be done by decision of the general meeting of member cooperators.

The lessee may be a basic and primary labor collective in a firm; adult members of a family, group of citizens or individual citizens employed in the firm; families, group of citizens or individuals who are not employed at the firm.

In all events whenever it is possible, the conveyance of means of production for operation shall be done by bidding. They will go to the candidates who offer the most favorable terms. In other cases the terms will be determined by the owner of the means of production, taking into account the operator's interests as well. Otherwise the owner risks not finding candidates, and a forcible conveyance for operation is not permissible.

The time frame for leasing in industry, transportation, construction, trade and other sectors must be sufficiently long. As a rule, a leasing relationship, unlike piecework, is characterized by a longer term. In establishing this term, in principle the point of departure must be one full circuit (complete cycle) of the real fixed assets. Hence it follows that the term, as a rule, should be 10-15-20 years, with the possibility of an extension if both parties agree.

In agriculture it must be longer still in order to prevent sacrificing the future fertility of the land for the sake of high current or medium-term results. In setting this term, conditions must be created so that the operator will have a personal interest in taking special care of its future fertility. This can be achieved if the present operator knows (and has firm guarantees) that not only he, but his heirs as well, will earn their living from the land conveyed to his family. To achieve this, the term for which the land is conveyed must be 40-50 years or more, with the possibility of extension given conscientious operation. Heirs should be able to inherit the right to operate on the same or renegotiated terms. It must be borne in mind, however, that what I am referring to here is a right to operate, and not a right to own, the land.

In the financial relationships between the owner and operator, it should be possible to choose between two alternatives or to employ both simultaneously:

First alternative: financial relationships between the state owner and the lessee to be effected through two channels:

- taxes for the central budget and the budgets of the people's councils. In 1989 these will be turnover tax, excise duties, customs, unearned income tax, profit tax and payments to the people's councils. Effective as of the beginning of 1990 or 1991 they will most likely include: added value tax, people's council tax, profit tax, customs and unearned income tax;
- annual rent, set at an absolute figure year by year throughout the period of operation. In setting the amount of the rent, consideration must be given to the technical level and physical condition of the capital assets. The rent will most likely include an allowance for depreciation, as well as a certain minimum rate of profit on the fixed assets, with the bulk being taken through taxes from the net income that is subject to centralization.

Second alternative: financial relationships between the state-owner and the lessee can be effected through one channel. Everything must be reduced to a payment, firmly fixed year by year at an absolute figure throughout the period of operation. In this situation the operator has to pay no taxes except customs. Naturally in this event the amount of the rent will be larger than under the first alternative for it "absorbs" all payments through the two channels.

The second alternative may have a very powerful economic effect on the operator. On the one hand, he will know in advance that the entire income exceeding the yearly payment remains at his disposal. On the other, this gives rise to very great economic responsibility for it, since regardless of the results of his economic activity he has to make the payment, if need be, even with funds from his own financial resources or a bank loan.

It is very important, as can be seen, that the amount of the payment be clearly set at the very start for the entire period. The contract may provide a procedure for eventual amendments in the amount of the annual payment at the request of the parties in the event of substantial changes of centrally authorized prices or other conditions relating to economic aspects of production beyond the control of the contracting parties. These amendments must, however, preclude any arbitrary act or unilateral imposition of will on the other partner.

The lessee, after paying his installment, his taxes, obligations to the banks and other creditors, insurance etc., must himself allocate his residual income between production and social funds and for final consumer income. The interposition of state authorities and any kind of fixed standards, set by other than the lessee unit, becomes superfluous. The operator himself will, in

accordance with his commercial, investment, technological and social policy and in accordance with his additional field of activity, make decisions regarding participation in joint-stock companies, subject to the regulations governing internal procedure, types and makeup of administrative authorities (if such are necessary), etc.

A contract will have to be concluded between owner and operator. This contract, in addition to the term, will have to settle the obligations and rights of the contracting parties. The operator, for example, will have to assume an obligation to pursue economic activities in some basic area of activity, at the same time with a right to drop out of them; to operate the rented means of production well and at the end of the fixed term to return them to the owner in good condition, with allowance for normal wear and tear and obsolescence as a result of their use; to bear financial responsibility for any damage to the rented means of production due to poor operation; to perform current and major repairs of the means of production (unless the contract provides for the owner to attend to major repairs); to see to extended capital replacement and technological updating, with the capital assets newly introduced (with the owner's consent) using resources of the operator to be his property, and the detached lessee unit gradually to become a small joint-stock company; to pay an annual lease installment, as well as taxes, customs etc. on an equal footing (if the contract thus provides); to settle his dealings with the banks in accordance with the procedure established for all; to attend to supplying the necessary raw and other materials and power sources and to marketing his output (unless, under the contract, the owner assumes some of these functions himself); to observe the regulations established by the state for price-setting, for payment of labor, state standards, ecological requirements, labor legislation, etc.

The leasing contract must also contain clauses regarding economic and other penalties, as well as the conditions under which it can be terminated by one or both contracting parties.

On conclusion of such a contract both the operator and the owner must act only within the limits of his rights and obligations. The leasing contract must become the economic constitution of the property, which nobody has a right to violate. This will create a better economic and legal basis for actually cutting down the machinery of administrative agencies outside the lessee unit and for transforming them into agencies rendering various types of services on request by the operator in return for payment. The relationships of subordination will thus gradually become relationships of partnership. This is perhaps our society's sole hope of prevailing over the administrative and bureaucratic machine. The central administrative methods used thus far have proved ineffective; they have not resulted in a cutback in the number of managerial personnel.

At the same time that relationships of this type are established, the lessee's social status must be settled, too. In principle he must enjoy all the rights and obligations of labor and social legislation, including social security, pension, leave, hospital care, recreation, length of work week, sanitation and hygiene protection, etc. The operator to whom means of production are conveyed must have in this area the rights and obligations of other Bulgarian citizens employed in state, cooperative and citizens' firms, in joint-stock companies, etc.

There must be complete clarity that the conveyance of means of production for purposes of operation does not change their ownership. In this manner, however people's personal interests are triggered, greater personification of the means of production is achieved and thereby fuller realization of the economic and social potential of the property.

Expansion of leasing relationships could also be successfully combined with the cooperative principle. This is feasible in agriculture, in the sphere of services and in other sectors and spheres of activity, including small-scale and medium production units.

Given a combination of the cooperative and the leasing principle, for example in agriculture, the cooperative can devote itself to the technical, agronomic, market, legal and other servicing of the operators. It will also make available to them construction, repair and transportation services as well as the provision of amenities for their families, will supply them with equipment and spare parts, with materials, fertilizers and preparations, will purchase agricultural output; can set up cooperative savings and loan banks; will coordinate their efforts in organizing recreation and various types of social, cultural and other services. The cooperative will, as agreed, provide for the economic infrastructure and all other conditions necessary for the work, while the production activities themselves will be carried out in the lessee units.

Improvement in the forms of ownership and management along the lines thus far pointed out is, as I have already indicated, perhaps the surest guarantee that the numerous administrative institutions, overstaffed with tens of thousands of people, whose main job has always been to create prescriptive enactments with regulations of conduct, to check up, summon, urge on, explain and mobilize without, however, themselves being responsible for the consequences of their actions or inactions, will become superfluous. These people try to do everything that is so simply and effectively achieved through self-interest.

New-type relations of ownership and management are being established. These new relationships must be based on completely updated socialized ownership of the means of production, the mainstay of which will be highly personified and democratized state ownership and renascent collective ownership in its various forms.

It must be realized that, in final analysis, socialism will solve its basic problems and will cope with the challenges of the future mainly through updated state and cooperative ownership rather than through private economic activities.

And let it be rightly understood—I am for the small-scale economic activities of citizens. Acceptance of such activity must be a permanent decision rather than a short-term policy, and state institutions must guarantee this if they want to win the confidence of the citizens engaged in such activity.

But I also believe that it will be possible to solve successfully the big problems of scientific and technical, structural, investment and social policy if the economic foundation of our social system is state ownership—democratized “to the marrow of our bones,” updated and ennobled—and collective ownership, democratic in its very essence, combined with a likewise democratic political, legal and cultural superstructure.

HUNGARY

Intellectuals Call on Romanians To Reconcile Historical Differences

25000199c Budapest *MAGYAR NEMZET* in
Hungarian 29 Mar 89 p 6

[MTI [Hungarian Telegraph Agency] article: “Statement Concerning Hungarian-Romanian Friendship; Historical Reconciliation Cannot Be Delayed”]

[Text] Leaders of the Hungarian-Romanian Friendship Circle, operating in Pecs, held a press conference Tuesday in the city's PPF (People's Patriotic Front) Club, and revealed the proclamation in which founding members of the Circle (40 Hungarian intellectuals) publicly attest to the importance and necessity of friendship between the two neighbor peoples. The newspaperman Zoltan Igloi, the president of the independent friendship circle, spoke about the reasons behind the document, and read the 400-word long memorandum entitled “Easter Proclamation.” The memorandum will be sent to every press organ and political, state and social organizations in Hungary, and bilingual copies of it will be forwarded to the suitable Romanian organizations as well.

Signers of the memorandum feel that the present severe crisis also underlines the urgency of a historical reconciliation between the Hungarian and Romanian peoples. Thus, as a social initiative, they undertook to create the foundations for a “peoples' diplomacy.” While respecting the already established intergovernmental, political and diplomatic contacts, they propose to establish direct contacts between Hungarians and Romanians; between individuals, communities, towns and peoples. At the same time they encourage those who agree with them to create Hungarian-Romanian friendship circles throughout the country.

National Assembly 1989 Program Projected
25000199g Budapest MAGYAR NEMZET in Hungarian 29 Mar 89 p 2

[Unattributed article: "The National Assembly's Expected 1989 Program"]

[Text] According to plans, the deputies wish to address the modification of the national defense law and the introduction of alternative service in April; that is when they will introduce a proposal for modifying the Penal Code, and also in April there will be a proposal concerning the issue of no-confidence, contents of which will complete the House's rules of order. It also expected that the Council of Minister will make its report concerning their work since July 1, 1985.

The May session will take up five proposals, dealing with the transformation of economic units, the modification of enterprise laws, the modification of laws on cooperatives, the modification of laws concerning agricultural cooperatives and the modification of the law concerning land. There will be reports on the conception of budgetary reform and the tasks of 1989, as well as one concerning the experiences gained from implementing the youth law and the subsequent tasks.

In June the National Assembly will create a law on plebiscite, and during the same month it will ratify the execution of the 1988 national budget. The deputies will be informed about the guiding principles of the 1990 national budget, as well as those of a law aimed at further developing the supervision and organization of social insurance. The deputies will review the operation of the tax system, and will accept proposals concerning the principles of the 1990 modifications.

According to plans, the National Assembly will create five laws in September; they will deal with political parties, the constitutional court, the modification of laws concerning courts and the introduction of administrative jurisdiction, and the modification of laws on commerce and penal procedure. Members of the House will decide on the principles guiding the basic law on managing national affairs, they will hear the proposed changes in the tax laws and also in September they will be informed about principles for modernizing the retirement system.

When it comes to points on the agenda, the November session promises to be the shortest: It includes hearing reports on the 1990 goals of our economic policies and proposals concerning misdemeanors and the modification of laws concerning the system of national planning.

The December session is expected to add seven new ones to the rank of the highest-level laws: The honorable House will take action on laws concerning the 1990 national budget, the management of state affairs, the

postal service and telecommunication, public information, national minorities, the freedom of conscience and the free exercise of religion, and the modification of laws governing social security.

Independent National Assembly MP's Meet, Accept MDF Goals

25000221b Budapest NEPSZAVA in Hungarian 15 Apr 89 p 5

[Article by Zs. V.: "A Question of Our Nation's Fate; Group of Independent Deputies Meet"]

[Text] When it was formed, the group of independent deputies set the goal of creating opportunities for continuous information. As the next phase in this process, the group met Friday in the Parliament, presided over by Dr. Istvan Fodor. At the start, Zoltan Biro, managing director of the Hungarian Democratic Forum [MDF] and Lajos Fur, member of the presidium, informed the deputies concerning the past activities, program and plans of the MDF, and answered the deputies' questions.

Zoltan Biro provided a brief overview of the organization's history, then emphasized that they consider the question of democracy to be of primary significance among the issues effecting the nation's fate, and judge the fate of Hungarians living in Transylvania to be of equal importance. In his view, the steps thus far taken by the MDF in connection with this issue effectively aided the new Hungarian foreign policy in turning around European public opinion. Stressing the importance of informing the public, he proposed that the country's press structure be transformed, and this proposal is part of preparing the new press laws.

According to Zoltan Biro, the MDF is an intellectual-political movement which declared during its recently held congress that for the time being it does not wish to become a political party, even though, as it is well known, several parties announced that they wish to resume their activities and the MSZMP [Hungarian Socialist Workers' Party] also accepted the principle of multiparty system. One cautionary factor, however, is that many newly organized small groups would prove to be unable to develop a political strategy, social forces could become splintered, and the MSZMP would continue to dictate the political process. This would be no problem, he added, if we were talking about a democratic party with well-defined characteristics, but this is not the case at this time.

Zoltan Biro said that, in his view, a political factor is something that behaves accordingly and is considered as such by the nation. At the moment, not even the MDF has this kind of significance, although it commands important intellectual forces and a large membership.

As for the MDF's program, Zoltan Biro said that, in contrast with the New March Front, they feel that an interim constitutional assembly should be called

together because, while circumstances are deteriorating, there is no single consensus-creating power center that society could consider as its own. Neither is a coalition government feasible, because at the moment the MSZMP cannot go it alone, and none of the independent organizations are suitable as partners. The roundtable discussion, initiated by the MSZMP, failed to materialize, not because the other organizations do not want to talk, but because they feel that neither the forms nor the structures exist for an open democratic discussion in preparing the elections.

A fundamental demand of the MDF's program is that the MSZMP should remove itself from the justice system and the armed forces; it is no less acceptable to see the MSZMP remain the only party present, than to see each of the parties begin recruiting in these spheres. The MDF's economic policies are not yet developed, but its leaders' view is that economic life should not be compelled to follow any model.

In answer to questions from deputies, Zoltan Biro said that a constitutional assembly would probably be preceded by elections, which would offer an opportunity for the MDF to try its strength, while also creating the institutional frameworks of a partial public consensus. The MDF has no desire to act as a peak organization in coordinating the activities of others; it is willing to collaborate with the MSZMP, the SZDSZ [Association of Free Democrats] or any other organization on the basis of equality. Its leadership feels that, for the time being, it would be advisable to form ad hoc tactical alliances.

Talking about the world exposition, Lajos Fur said that it represent a great opportunity for opening toward Europe, with many positive aspects to its economic consequences; however, 120 billion forints cannot be added to the burden on the population, and it would be a mistake to restrict development to the corridor between Vienna and Budapest. Thus, if we stop work on constructing the Bos-Nagymaros river-barrage, the amount thus liberated, combined with the enlistment of operating capital, could be transferred to projects related to the exposition. In addition, we should make sure that some of the earnings cover development costs in other regions of the country.

During the question-and-answer period there was also talk about the MDF's plans for the coming elections. The organization will support some independent candidates, and it is also willing to form a coalition. One of its fundamental concerns is that every organization be granted equal propaganda opportunities during the campaign. In our present unstable situation, the country needs a strong president of the republic having limited powers; thus, the MDF might propose the election of such a president sooner than previously planned. The MDF also recognizes the need for a comprehensive

program of economic policy making, with the property relations at its center. However, long-range programs will not be tied to the name of one single organization.

Members of the MDF feel that the reburial of Imre Nagy and his associates represents only the final legal honor owed them; their moral and political rehabilitation is a task awaiting the nation. The MDF has no representatives in the current National Assembly, but there are deputies who are MDF members.

Subsequently, the group of independent deputies revised and accepted a letter addressed to the prime minister, in which they join the widespread protest aimed at the introduction of toll to be paid on the country's highways. They also decided that for their next meeting they would invite Miklos Nemeth.

After this, the deputies heard Laszlo Lengyel, associate of the Financial Research, Inc., talk about planning on the national scale, the management of state affairs and the reform of the budget; then they discussed the program of their activities.

MDF Influence Growing in Debrecen

*25000221c Budapest NEPSZAVA in Hungarian
17 Apr 89 p 5*

[MTI [Hungarian Telegraph Agency] article: "Debrecen MDF Organizes Trade Union Forum; Sandor Nagy Invited To Attend"]

[Text] The Debrecen branch of the Hungarian Democratic Forum [MDF] is striving to develop a better-defined political character and participate more actively in local public life, Akos Gali, the managing director of the organization—who was elected at Thursday's special meeting—announced at Saturday's press conference.

Akos Gali considered it a positive development that in the future the MDF will have a concrete role in preparing decisions that directly influence the life of the entire population. Representatives of the MDF will have advisory privileges in attending meetings by the councils of Hajdu-Bihar county and the city of Debrecen, and they will also be able to review and comment on the memoranda of meetings held by the executive committees.

It was announced during the press conference that (in accordance with the wishes of the membership) the work of the MDF will be more active. It has called upon the other independent organizations to participate in the May Day parade, and it will hold its own festivities in the Great Forest. The MDF's program this year includes a national trade union forum, to which they will invite Sandor Nagy, first secretary of the National Council of Trade Unions [SZOT] Otto Habsburg will also be the Debrecen MDF's guest this year.

The Debrecen section of the MDF calls on the other local independent organizations to participate in the community memorial events, starting with an ecumenical religious service, to be held on June 16, the day when Imre Nagy and his associates will be buried in Budapest. Akos Gali also announced that his organization will take part in the roundtable discussions initiated by the local branch of the Association of Free Democrats [SZDSZ] for independent political associations.

Saturday the MDF held a public meeting in the ceremonial hall of the Salgotarjan City Hall. Istvan Csurka recalled how the organization came into being and how it developed. He said that the MDF would like to reach to so-called silent majority, and wants to break the wall of indifference that was created and petrified in the course of the past decades. He further emphasized that the coercion-based Stalinist system has been defeated. This, combined with the greatly significant events that have taken place in the Soviet Union, and the sympathies manifested in various manner in the West, contribute to the freedom of activities enjoyed by forces, such as the MDF, which strive for the country's progress. Genuine changes, however, call for a constitutional assembly, a new constitution that is ratified by the people, and free democratic elections.

Gyula Fekete criticized the weakness and impotence of the government. He made specific reference to the short-sighted financial policy which for the past several years has been spending more than the country's earnings, and tried to plug the resulting holes with loans and increasing the population's burdens. In building a new society, he warned, we should not imitate anyone, not even the market economies of the West, because the present situation in those countries has come into being in accordance with logical necessities that existed for centuries.

Local Leaders Call on PPF National Council To Disband

25000199e Budapest *MAGYAR NEMZET* in Hungarian 29 Mar 89 p 6

[MTI [Hungarian Telegraph Agency] report: "Proposed in Tatabanya: National Council of PPF Should Disband"]

[Text] Tuesday the Komarom county PPF (Patriotic People's Front) Committee met to discuss the renewal of the popular front movement and the tasks it faces. The expanded meeting (which included a speech by Istvan Huszar, first secretary of the PPF's National Council), the Council's county secretary, Miklos Havas, took the floor and, speaking in the name of five other Council members, proposed that at its next meeting the Council dissolve itself. In their opinion, the activities of the Council show increasing signs of weakness and indecisiveness, and in the present situation any delay hinders

the movement's renewal. Proponents of this move recommend that after the Council's dissolution a caretaker committee should lead the movement, and that the PPF's national congress should be convened not later than June.

Istvan Huszar disagreed with the suggestion for the Council to dissolve itself. He urged the elected and delegated members of the National Council to be more dedicated in meeting their responsibilities.

The first secretary also said that there are varying, at times extreme, views concerning the PPF's place, and especially its future role. He feels, however, that if a renewal is accomplished in accordance with the wishes and conceptions of the majority, the movement can continue to be an alliance-forming force in our country.

Pozsgay Says Party Will Abide by Rules

25000199f Budapest *MAGYAR NEMZET* in Hungarian 29 Mar 89 p 2

[Imre Pozsgay's statement to the INTERNATIONAL HERALD TRIBUNE: "The MSZMP Respects the Rules"]

[Text] In an interview with the American INTERNATIONAL HERALD TRIBUNE, Minister of State Imre Pozsgay, member of the CC [Central Committee] Politburo of the MSZMP [Hungarian Socialist Workers Party], said that he expects a multiparty democratic system to develop in Hungary by the middle of the next decade, adding that he does not feel that a new Hungary would alter its international commitments.

As for the political reforms currently in process, Imre Pozsgay said: "This year we will organize the political parties and their material support, and introduce a new press law which will assure them access to television and radio. The parties will be able to set up tax-exempt enterprises, and the profits of these undertakings will enable them to organize the political education of their followers. Next year we will hold elections for the first time. Thus, we can expect that between now and the next elections in 1995 we will have the kind of pluralism we need, complete with a multiparty system, autonomous trade unions and the new influence of other interest groups." He would not predict whether or not the country will have a coalition government next year, but stated: "The opposition can be sure that the MSZMP will bring about free competition and will respect the rules. If it loses at the polls, it will have to give up power. Realistically speaking, however, I believe that this issue will be solved through a compromise."

As for the relationship between political and economic reforms, which is not always understood in the West, he said: "Many people ask, why do we need political reforms before we can have a growth-oriented economy? What they forget is that we do not have an economy: What they see is an imitation economy, in which politics

consumes economic activities and energies. We have to reestablish the autonomy of citizens; we must make them owners through reforming the laws concerning property. Otherwise, all of the rights contained in our new Constitution will remain empty phrases."

Speaking of the external environment of Hungary's reform process, he said, "It is the first to offer bases for a peaceful transition between dictatorship and pluralism. We have no desire to alter our international commitments. Yet, our country fights for ending the division of Europe into blocks. We hope that both [of the great powers] will realize that our initiatives benefit everyone, and perhaps Hungary could become a bridge between East and West." As a result, it is hoped that Hungary will soon become a member of various European organizations, Imre Pozsgay added. As for the West, he feels that there are two ways in which it can aid the reform process in Hungary: "We need working capital, but they must be tied to conditions: You should insist on us using the capital for structural transformation, instead of saving lost economic endeavors. Do not take your eyes off Hungary for a moment: There are forces that can hardly wait to stop the changes," said Imre Pozsgay, adding that instead of a new type of Marshall Plan, each country needs to develop along its own course.

Grosz Urges MSZMP City Leaders To Move to Center

25000221a Budapest NEPSZAVA in Hungarian
15 Apr 89 p 5

[MTI [Hungarian Telegraph Agency] article: "Limits Must Be Set on Right and Left Alike; Briefing by Karoly Grosz at Meeting of City First Secretaries"]

[Text] The MSZMP [Hungarian Socialist Workers Party] CC [Central Committee] held a national meeting of city first secretaries Friday in the Culture House of the Hungarian People's Army. The meeting's goal was to provide comprehensive information concerning the situation recently developed in our society and in the party, and to describe the tasks facing the MSZMP.

The dialogue was opened by Karoly Grosz, first secretary of the MSZMP. He gave a report on Hungary's image abroad, the course of economic developments, and talked about the party's internal affairs. At the start, he emphasized that the present international situation is favorable for economic consolidation and the realization of reforms. Following the May party congress, our country's image in the socialist world has changed. The period since 1956 was earmarked by ideological inflexibility; we acknowledged the practices followed in the neighboring countries, there was predictability in foreign and domestic policies as well as the ideological line. The changes that have taken place in the Soviet Union also broadened our freedom of action.

At the same time, he cautioned: Unless the MSZMP takes a more decisive course, the haphazard moves may strengthen the impression that Hungary's leadership is drifting with events, instead of controlling them. Karoly Grosz pointed it out that the developed capitalist countries judge Hungary by the degree of its domestic stability. They also place great importance on liberalization and the progress we have made in implementing human rights. However, the fact that the Hungarian economy has not been able to renew itself, may give them the impression that the crisis is systemic. As a result, the image of Hungary and socialism has been shifting unfavorably in the capitalist world. In sum, the first secretary emphasized that when it comes to solving our own problems, we must rely primarily on our own resources.

Talking about the economic situation, he said that we lack the suitable tools for handling the crisis. However, the only way out of the present crisis is to continue our development. In the long run, we must develop the marketplace and implement structural changes; but equally important are such detailed factors as liberalizing import activities and wage regulations. The country's fiscal equilibrium has been damaged, so that our primary tasks are controlling inflation and the wage spiral, along with preserving the country's solvency.

Speaking about the MSZMP's situation, Karoly Grosz said that in the movement there is still a tendency to turn inwards, our political propaganda work and the readiness to debate are weak, and the tools of mass communication are not helpful enough in influencing the political atmosphere. As for the rumors concerning a split in the party, he said that no responsible party is interested in a "schism," but insisting on unity at all costs could also lead to disruption. He voiced his conviction that limits must be set on the right and left alike, and those who do not accept the MSZMP's campaign platform will have to leave the party. In closing, he said that the CC does not feel that convening an extraordinary congress and reviewing the membership are justified.

Following the initial report, the participants continued the discussion in six separate sections, and during the afternoon plenary session Karoly Grosz summed up the proceedings.

HVG Reveals Defense Industry Enterprises

25000221d Budapest HETI VILAGGAZDASAG in Hungarian
1 Apr 89 p 5

[Unattributed article: "Hungary's Military Secret"]

[Text] On an international scale, Hungary's military industry is insignificant; at least in the opinion of the "analyst" employed by the international military journal, the INTERNATIONAL DEFENSE REVIEW. We could not find out much even about this "insignificance." Information on this sector of the economy is considered so classified that when we asked Dr Peter

Schmidt, head of the administrative and legal department in the Ministry of Industries, what type of enterprise data is secret, he could not tell us more than this: Even the definition of what is classified is secret. Still, this much is more or less known: There are about a dozen enterprises in Hungary whose every activity is considered top secret, and another 60-70 firms that have a secret designation.

These numbers are not constant: Enterprises in this category are reviewed yearly by experts from the ministries of Defense and Internal Affairs, as well as other high-level organs. The accounts of these firms are handled separately from the civilian sphere by the Hungarian Credit Bank. Nowadays, when Western cooperation is becoming increasingly important for Hungarian firms, and it is even possible for Western partners to acquire shares in Hungarian companies that also participate in military production, these prescriptions of secrecy can be quite uncomfortable. After all, before it would risk its capital and acquire a share of a Hungarian enterprise, a Western firm insists on being informed concerning the latter's financial situation. The practice of keeping financial information secret is even more anachronistic if we consider that firms such as the Weapon and Gas-Instrument Factory or the Videoton (or their nonmilitary plants) have been thoroughly "surveyed" by Western business consultants.

Since the previously thick cloud of secrecy has been breaking up during the recent past, and authorities do not treat state secrets with the same strictness, certain data had become accessible. For example, the chart prepared for the HETI VILAGGAZDASAG by the Central Statistical Office reveals that, in most cases, military orders tie up only a small share of Hungarian firms' capacity. In 57 of these firms, the proportion of military work remains below 10 percent of the total production capacity. There are 20 enterprises in which military production exceeds 10 percent, and only two of them devote more than 80 percent of their energies to this kind of production. The Ministry of Industries prepared a table for us, showing the proportion of military work at some of the best-known Hungarian enterprises.

We have also found out that 80 percent of Hungarian-made military products are sold abroad, primarily in countries that are members of the Warsaw Treaty Organization. The volume of this kind of export (which, by the way, has a more favorable balance of payment than that of "civilian" products) has been severely reduced this year. The primary reason for this, paradoxically enough, is that the National Assembly reduced the Hungarian Army's budget by 17 percent from last year's level. It is the practice in the CMEA that the delivery of military goods is repaid by a similar delivery; so when Hungary orders less military goods, its firms sell less of the same kind of products abroad. Hungary could refrain from cutting back its military production capacities and deliver goods on credit, but this is hardly a feasible course under today's economic conditions. Military

products are also more difficult to sell on the dollar market, primarily in the Middle East. Because of a shortage of orders as well as the payment problems of clients, these deliveries will also be severely curtailed in the near future.

The Share of Military Production in Some Hungarian Enterprises (1988)

Enterprise	Share in Percent
Mechanical Laboratories	82.2
Fine Mechanical Works	79.4
Videoton	35.3
Diosgyor Machine Factory	29.3
Weapon and Gas-Instrument Factory	17.5
Danuvia	14.0
Orion	13.1
Hungarian Optical Works	12.2
Beloianis Communication Technology	10.5
Matrafem	8.2
Mechanical Works	5.8
Budapest Radio Technology Factory	3.9
Nitro-Chemical Industries	1.8

Source: Ministry of Industry

Industrial Council Proposes Change in Ownership Law

25000200i Budapest MAGYAR NEMZET in Hungarian 29 Mar 89 p 3

[MTI [Hungarian Telegraph Agency] article: "OKISZ Meeting: Cooperative Law Should Make Property Partly Divisible"]

[Text] The National Council of Trade Cooperatives [OKISZ] held a meeting Monday. The participants proposed that the law on cooperatives classify the properties of cooperatives, hitherto indivisible, partly divisible. Such modification would make it possible for cooperatives to take no more than 50 percent of their properties (as of December 31, 1988) and place it at the disposal of their members as business shares. This limitation would not apply to those small cooperatives that were formed after January 1, 1982 using the members' contributions, and are currently operating in the same manner: these cooperatives could distribute their entire holdings.

The Council also considered it important to put into law that cooperatives should be able to make their own decisions concerning the use of profits made after 1 January 1989, whether this would mean accumulation or distribution among members.

According to the modified cooperative laws, two-thirds of the members must cast secret ballots in favor of transforming a cooperative into an economic association. Members of the dissenting minority can discontinue their membership and either form another cooperative or join another one.

Law on Religion Being Drafted

25000215c Budapest NEPSZABADSAG in Hungarian
23 Mar 89 p 7

[Unattributed article: "Proposed Law on Freedom of Religion"]

[Text] The codification committee created to prepare the laws on religious freedom held a meeting Wednesday in the offices of the National Bureau of Church Affairs. With the participation of representatives from the state, social organizations and the churches, the committee discussed proposals concerning the law's guiding principles. In order to ensure broad social discussion of these guiding principles, the National Bureau of Church Affairs will forward the proposal to state and social organizations, as well as the leaders of Hungary's churches, denominations and religious communities, for review and advice. Taking the comments thus obtained into consideration, the Council of Ministers will discuss the law's guidelines during the first half of this year.

KISZ, Pioneers Protest Refugee Camp Decision

25000199d Budapest MAGYAR NEMZET in Hungarian
29 Mar 89 p 6

[MTI [Hungarian Telegraph Agency] report: "Will There Be a Receiving Station at Hajduszoboszlo? Protesters Collect Signatures"]

[Text] No decision has been made yet as to where will receiving stations be set up for Transylvanian refugees, said Deputy Minister of Internal Affairs Zoltan Gal, who is in charge of the interministry coordinating committee, in referring to the signature-collecting campaign initiated by the KISZ [Communist Youth League] committee and the pioneers of Hajduszoboszlo. These groups protest the fact that, without asking the locals' opinion, the government is planning to transform the local KISZ school into a receiving camp.

The Deputy Minister said that they have asked several counties along the border, where could receiving stations be established? Naturally, the creation of these camps is always planned in cooperation with local and county leaders. Proposals were examined by a committee of experts formed for this purpose. One of these was the camp to be established in Hajduszoboszlo. He emphasized that only proposals have been made; the committee has not yet prepared its written report.

He further emphasized that, before making a decision, the local leadership is always consulted. We must not forget, however, that it is of decisive importance for us to retain the sympathy of the international community; if we were to make enthusiastic promises and fail to fulfill them, it would endanger this sympathy.

POLAND

Warsaw Polytech Student Leader on Legalization, Activities

26000448 Warsaw ITD in Polish
No 10, 5 Mar 89 pp 4-5

[Interview with Robert Bitner, member, National Coordinating Committee, Independent Association of University Students, by Elzbieta Isakiewicz and Iwona Jakalska: "A Portion of Democracy"; date and place not given]

[Text]

[ITD] You represent the generation that was still in primary school in 1980.

[Bitner] High school.

[ITD] Well then, high school. In any case, it is a generation that really had no contact with democracy. Why, then, the tremendous need for it, so strongly articulated by your movement, by the majority of young people?

[Bitner] It is primarily because we travel around the world and we see what is happening elsewhere. Moreover, it is a natural need of every human being. Without democracy, man cannot feel secure. Unfortunately, we as the NZS [Independent Association of Students] have not had the possibility of participating in public life: we have suffered from repression. And so for us the tendency toward democracy is something quite natural.

[ITD] And what remains from the years 1980-81 in your consciousness, in the consciousness of your peers?

[Bitner] That period was a lesson to us too—a lesson in democracy, a portion of freedom. I recall spending a great deal of time at the university then, watching what was happening there. It was not Solidarity, but the NZS that was a model for me then. Thus, when I came to the university, I sought to make contact with the NZS, that barely existed in rudimentary form.

[ITD] The propaganda and those in opposition to the NZS maintained that it was a "threat to public law and order." What do you say to this? Will today's NZS be different than the 1981 NZS?

[Bitner] We have the same statute that NZS had in 1981. In terms of program, there will not be any particular differences. However, in terms of methods of operation, these are not only up to us, but they also are up to the authorities. The more they repress us, the more energy we will expend on defense, in protest actions, for example. But if we are registered and our right to exist is

recognized, it is obvious that in order to win the support of students, we will carry out concrete, positive work. The profile we assume depends upon students and their support.

[ITD] Many rectors are afraid of moving out of the aegis of MEN [Ministry of National Education]. In your opinion, why this fear of autonomy, of self-reliance?

[Bitner] In my opinion the fundamental reason is that these rectors are not elected; they are appointed. Obviously, a rector that has not been selected by the academic community is no authority for it and has no chance of surviving in this position. This is especially true if there are conflicts to resolve. If these rectors were elected, as they were in 1981, then certainly they would have no reason to be afraid.

[ITD] In 1980-81, the university self-government was a real force. Now it is almost of no account. In your opinion, will the self-government be revived?

[Bitner] If pluralism in the universities becomes a reality, then the self-government, ignored in recent years, has a better chance. The self-governments are already being reborn now. We are taking an active part in this, we join them, because this is not an organization but a representation of all students. Similarly, we approach other organizations to propose that they become involved in the work of the self-governments. Actually, we have a large representation in them since at present the other organizations are not very active. They are afraid of falling apart if elections are held.

[ITD] What is your assessment of today's ZSP [Polish University Student Association]?

[Bitner] They really do not exist at the university. Their work is not evident.

[ITD] Is it possible for the NZS and the ZSP to coexist without conflict, obviously with more support from the authorities?

[Bitner] It is simplest to reply to that in one sentence. We want nothing from the ZSP. In exchange for that, we do not want the ZSP to put any pressure on us. We have nothing against the ZSP. Let it exist if it has student support. We favor competition.

[ITD] You belong to an organization that has the word "independent" in its very title. How do you define the concept of independence? Independence from whom and from what?

[Bitner] Independence from all organizations. Independence from the university authorities. Independence means that we students ourselves make decisions. The NZS is not the agent of Solidarity as the mass media claim. In reality, they are two separate organizations.

The decisions of Solidarity do not bind us at all. At the present time, the NZS National Coordinating Committee is totally independent and sovereign, autonomous.

[ITD] You consented to an interview with ITD reluctantly, immediately assuming that we would pull a fast one and would twist your statement. Why?

[Bitner] Because until the present, no official newspaper that has done an interview with NZS activists has dealt with us honestly. Our statements have appeared in print edited and altered without our approval. For example, there was a report in POLITECHNIK that we are being financed by the Church. I do not understand how such a thing could have been thought up. This interview is just one more try on our part.

YUGOSLAVIA

Croatian LC CC Presidium Secretary Interviewed
28000098 Zagreb DANAS in Serbo-Croatian
28 Mar 89 pp 10-14

[Interview with Croatian LC [League of Communists] CC [Central Committee] secretary Drago Dimitrovic by Jelena Lovric: "Who Is Bothered by Croatia"; date and place not given; first paragraph is DANAS introduction]

[Text] It has already been noticed that Drago Dimitrovic, secretary of the Croatian party leadership, knows that party battles also take place primarily in public. That is probably how one should also interpret his recent visit to the DANAS editorial board, where he spoke frankly and at length with journalists and editors about the current political situation in the republic and in the country as a whole. He also responded then to our request to do this interview.

[DANAS] Croatian policy has recently been the target of various criticisms, both in Croatia and in some other areas. How do you view this?

[Dimitrovic] The exacerbation of the Yugoslav crisis unfolded in Croatia in a specific way. The events from the summer until now have caught our attention. Furthermore, it has been profoundly believed that things will stabilize themselves, and that at some decisive meeting a solution will be reached that will signify a turning point. The expectation that politics will set things straight and that others will solve the problems has created an illusion of peace and stability. After the 20th session of the LCY [League of Communists of Yugoslavia] Central Committee, and particularly after the dramatic events in Kosovo, a shift occurred: Croatia has found itself at the center of political polemics, and some parts of its policy are being challenged. Calls have started to come from other areas for its leadership to be overthrown, as, allegedly, anti-Yugoslav, anti-Serbian, separatist, and bureaucratic. This caused a sobering among the public, but also the expected reactions. First

of all, people began to reexamine policy and seek mistakes, and for part of the Serbian population in Croatia this was also an occasion for them to express their attitude toward the national homogenization of Serbs. For those who were also skeptical about this policy previously, or who did not proceed from socialist positions, it was an opportunity to go a step further in articulating their own nationalist platforms, for now either Croatian or Serbian. All of this, in various ways, called the leadership on the carpet and subjected it to criticism in Croatia. Now we can already say that different processes are being formed. There are more and more people who understand that the crisis will not be solved by others, but that it is necessary to get down to work and fight for a society that will meet both our own needs and our common needs, and that within the range of political platforms offered, there are few that offer broader human and civilized prospects.

[DANAS] How can one restore confidence and the influence of policy?

[Dimitrovic] Naturally not by defending and justifying oneself, because arguments do not mean much to nationalists, and for those who are frightened or discouraged, it would be a mistake if we were to be concerned with ourselves or only with accusations. It is time for a dialogue that will clarify positions, but it is also time for actions, in order to move from waiting to solving the problems, in accordance with the policy of reform. There are real chances for this. The public pressures are evident. In a few days, we will initiate on that basis a broad campaign in all of the basic organizations, and, as far as I can see, there are also intensive activities under way in the Assembly, state bodies, and other sociopolitical organizations. The end result of our mandates should really mark a shift from discussing reform to implementing it, and that means extensively stimulating and encouraging people to take their own and the common future into their own hands, using their own capabilities.

[DANAS] Nevertheless, it seems that certain criticisms have such strength that it will not be easy to take those expectations into account. For instance, parts of the Serbian population in Croatia disagree sharply with the Croatian SR's policy. In Knin, this is being expressed by organizing or attempting to organize new rallies. The issue of the position of Serbs in Croatia, the attitude toward Kosovo, and similar topics are being pushed upon us as reasons for the divisions.

[Dimitrovic] The events, and also our analyses, indicate that the reservations toward the policy that we in Croatia are following are definitely present in the less developed areas, with a Serbian population of significant size. In some of those areas, the Croatian SR's policy is even rejected, and the Serbian SR's policy is supported. Admittedly, this is explicitly linked not only to the issue of Kosovo, but to a slight extent to the position of Serbs in Croatia as well. Implicitly, the demonstrations and also the attitudes suggest that the solutions to the existing

problems are seen as being outside Croatia, and that is unacceptable. The crisis gives everyone grounds for dissatisfaction. In the end, it directly stimulated the reforms. That, however, does not imply renouncing the right and obligation to have the problems solved primarily in one's own area, in this case within the framework of the Croatian SR and on the basis of the policy agreed upon for Yugoslavia as a whole. Any departure from those terms of reference will destabilize relations to an extent that we cannot accept. It is good that many citizens of Serbian nationality are aware of that, and that they are acting positively to strengthen confidence in the legal institutions and in the possibilities for living together. I believe that serious political work will create the conditions for the problems to be distinguished within the range of positions, and particularly for what is nationalistic and unacceptable to be separated out in that way. The Croats' position is extremely sensitive in all of this. They are also under increasing pressure to react as if they did not recognize that their own interests lay in building bridges for living together. The current moods among part of the Serbian public in Croatia can occasion major destabilizations in the situation only if they arouse nationalistic conduct among Croats.

[DANAS] It seems, however, that the strengthening of Serbian nationalism is being accompanied by similar processes among part of the Croatian people. Those positions are the basis for a broad range of criticisms, from saying that you are indecisive, to radical accusations that the leadership is not protecting the interests of Croatia.

[Dimitrovic] Nationalisms mutually incite each other. There are various causes that are arousing Croatian nationalism today, from fear and inability to assume an active position in settling the crisis, to anticommunist and antisocialist orientations. The Croatian LC is really faced with the complex tasks of the struggle against nationalisms and the unmasking of the manipulations used by them. Along those lines, it is necessary to state clearly that the most Croatian policy is the one that proceeds from the comprehensive development of the Croatian SR, the creation of better living conditions, and the recognition of people. The failure to develop creative capabilities is moving the community off to the periphery of world trends, and in practice exposing it to the crudest neocolonialist and other pressures. Neither romantic symbols nor calling upon the past will help here. Today whoever wants to be equal to the world has to achieve this through his own knowledge, creativity, production, and economic values. That is why we cannot accept the thesis that the orientation toward strengthening economic, democratic, and other potentials represents an anti-Croatian policy. On the contrary, the anti-Croatian and anticivilization policy is the one that would lead us into conflicts with other nations or into myths of the past, while the world is uniting and dealing with the issues of postindustrial development. Some people can say in regard to this that the principle is all right, but that practice does not confirm it. They cannot

claim that there has been a turnabout in the Croatian SR's policy, but they also cannot avoid stressing certain facts indicating that in spite of all the problems, we are on the right path: capital formation and exports are growing faster than the average for the SFRY, we have reduced allocations for public spending to the planned proportions, we are turning toward greater efficiency, the problems of enterprises operating at a loss are being solving by converting them, we are observing positive results in small business, we are involved in increasingly more concrete arrangements with the world with respect to joint investments, and new initiatives are being launched for increasing the turnover of authority through changes in the organization of the state, the administration, and sociopolitical organizations. All of this has potential for the creation of qualitatively new things. Along with the programs offered by the new Federal Executive Council [FEC], these are the framework for anti-inflation policy, but also for development policy. The awareness that it is possible, that our potential lies in our heads and hands, and that it is necessary to fight for and win better conditions and results—that is the force that will overcome the vociferous but outmoded ethnic schemes and models.

On the Yugoslav level, our orientation toward strengthening the position and role of the federal institutions, and making them capable of conducting Yugoslav initiatives and ensuring unity in the implementation of the legal, economic, and other vital systems, can be challenged only by those who are replacing the Yugoslav orientation with a narrow and separate one of their own. The criticism that that orientation does not have any support in Yugoslavia, because it has been divided by ethnic projects, shows a lack of familiarity with the Yugoslav commitment of the citizens, and an underestimation of democratic and working-class interests. Turning toward forces and orientations that find their inspiration in the heritage of the revolution and the need to create a modern socialist community represents leadership in accordance with the attitudes that are surely the most widespread in Yugoslavia.

[DANAS] Nevertheless, the opinions about Croatia coming from outside are different in tone. There are more frequent attacks and challenges, with the assertion that an anti-Serbian mood is developing in Croatia and that it has a separatist orientation.

[Dimitrovic] If someone means by Serbian what is being done or advocated by declared nationalists like Dubajic, Magdic, or Solevic, then the assertion that Croatian policy is anti-Serbian—according to that concept of what is Serbian—is valid. More precisely, it is unquestionably clear in its orientation against Serbian nationalism, wherever it has been manifested. According to the same analogy, you can also call Croatian policy anti-Croatian because it is also against Croatian nationalism. The Croatian nationalists themselves use that term, adding, furthermore, that official Croatian policy is not fighting

enough for its own people. The policy that deals primarily with protection from other peoples or other policies is a bad and shortsighted one. I have always found the meaning of politics to be in creating conditions that will make possible the development and identification of citizens with the values created by society. The need for the above-mentioned attacks originates primarily from the fact that a new phase, of acting on the basis of ethnic positions, has emerged on the Yugoslav level. Whereas in the first phase the internal formation of ethnic projects was dominant, in the second phase we have the beginning of a struggle for position at the national level and for spreading one's own ideas to the national level, by discrediting others, often on the basis of nationalistic positions, and not through a competition of results and ideas. It is in that context that what we call an unprincipled conflict among the leadership is taking place: from tension in mutual relations, to stopping at nothing to designate as anti-Yugoslav, antireform, and separatist everything that is not identified with one's own position.

That is also how an attempt is being made to discredit Croatia within the Yugoslav framework, in order to take away from it the legitimacy of a Yugoslav initiative or synthesis. Those are the goals. What can one say about the content? I cannot accept the theses about the anti-Serbian policy of the Croatian leaderships, because they are unfounded. To put it simply, a Croatia with an anti-Serbian orientation cannot exist as long as it is defined and realized as a joint state of the Croats and Serbs in Croatia. Everything that is anti-Serbian and anti-Croatian unfolds within it, and so the policy of ethnic inequality is directly aimed at destabilizing and challenging it. That is why the policy that ensures the equality of all peoples and nationalities is an expression of our vital interests and is a firm commitment of ours. Consequently, Croatian policy does not have any rational motives for permitting a practice of ethnic inequality. Nevertheless, those motives for destabilizing the situation in Croatia are possessed by those who think that only they and their policy can be identified with Yugoslavia, and who see conflicts within Croatia, and even a state of emergency within Croatia, as a chance to realize their own ambitions. We can likewise recognize those motives in nationalist circles in Croatia, who see conflicts and radicalization of the crisis as a chance to achieve their separatist ambitions. Croatian policy views both as hostile positions, against which all legal means should be employed. The stability of the republic, of course, is not defended by words alone.

[DANAS] One often hears the criticism that Croatian policy is oriented more toward processes in the east, and that it is ignoring events in western Yugoslavia.

[Dimitrovic] I can only accept the east-west division as a geographic concept. The assertion that we are more concerned with the east is valid only to the extent that all of us in Yugoslavia are turning toward Kosovo as the biggest problem, and to everything related to Kosovo that is not geographically identified with it. If that were

not the case, I believe that the criticisms would be even harsher. Although the Croatian SR is usually included in the west, this question is nevertheless directed toward Slovenia. We are constantly interested in the circumstances there, if for no other reason than that Slovenia is coping best with the economic crisis and a great deal can undoubtedly be learned from it with respect to economic development. Furthermore, we are interested in the fact that the density of LC members in the structure of the population is lowest in Slovenia, followed by Croatia; this suggests that the higher the level of development, the lower the confidence in the LC. At the same time, this means that in many strata of society the LC has its maximum influence, if not less. Since in Croatia the number of LC members is growing in the undeveloped areas (Lika) and declining in the cities, we have always seen processes in Slovenia as what could potentially happen in Croatia as well. That is why we have always been interested in the way that Slovenia has coped with problems and how it has reacted to them. We have likewise been and remain interested in strengthening the Slovene LC's position in society, and in having the communists there find an answer for ensuring public support by democratic means, in a fundamentally more pluralistic society. Furthermore, in some situations we have not been able to agree with the events there or understand the way in which certain institutions have reacted. This, however, has never been able to call into question the clear distinction between what is done by the Slovene LC and the initiatives of certain other social forces. Of course, one may ask why certain events in Slovenia are not being reacted to in the same way as is supposedly being done with respect to eastern Yugoslavia. If an answer were sought through the activity of the system's institutions, then it would not be possible to draw the conclusion that there was any sort of imbalance, particularly since the Slovene LC is not the one responsible for many initiatives that are causing polemics, whereas in the east the actions are mainly being conducted by the LC, so it is logical for a discussion to be conducted within it. If, however, such a question is raised in the context of an assessment of the alleged separatist and anti-Yugoslav position that we are representing, by allegedly not being sufficiently clear and disassociating ourselves from certain unacceptable phenomena in Slovenia, then I do not want to respond to it, because those who mean this country well will initiate mechanisms for action by the system, and will strengthen the cooperation of communists, instead of dividing us and causing quarrels among us.

[DANAS] The criticisms of an alleged separatist orientation are being associated today with the work of the Alpe-Adria community as well. Aren't we reaching a point where even the most legitimate initiatives can be declared to be anti-Yugoslav?

[Dimitrovic] Reversals of various types are possible in the struggle for power, and this should be understood. As a rule, confronting them with one's own results reduces the room for manipulations, while dealing with them

verbally often has the opposite effects. The case of the Alpe-Adria work community is so mundane that it does not even fit into the above context. The interpretation that it represents a restoration of Austria-Hungary and the destruction of Yugoslavia is absurd. It is interesting that it did not occur to the authors of that scheme that this would also split up Italy, West Germany, Hungary, and Austria. It is even more interesting, however, that they are "forgetting" that we achieved all of our successes in relations with the world (the NOB [National Liberation Struggle], the resistance to the Information Bureau, and the nonaligned movement), and that any inability to participate in international relations would mean our policy's restrictiveness with respect to civilization. Similar to this are the shortlived manipulations and malicious assertions about how Croatian aid to Kosovo is actually helping separatism; this has the probably undesired consequence of jeopardizing the conditions for cooperation and making people uncertain about investing in business, because even the best of intentions can become a pretext for attacks. The exaggerated tendency toward name-calling and challenging leads toward isolation, and all of this is a consequence of the policy of exclusivism and one-sidedness, which costs dearly.

[DANAS] Those explanations are rational, logical, and acceptable. How, however, can one be rational when an official representative of one republic claims on television that the problems in Yugoslavia can only be solved when a so-called antibureaucratic revolution is also carried out in other parts of the country, i.e., when the leaderships in Croatia are also changed in that way?

[Dimitrovic] If we proceed from the fact that a struggle for power is under way, without rules and without any sort of restraint, then the carrying out of a so-called antibureaucratic revolution, or theses about unity, without saying what it is based on, as an alleged prerequisite for the salvation of Yugoslavia, can have great strength, but in some cases can even intensify the dissatisfaction. I see broader problems, however. For a long time we have been faced with bureaucratism as one of the evils of our socialist development. People have a deep-rooted awareness that it is one of the enemies whose destruction is a precondition for happiness. The leaderships are supposedly the personification of that bureaucratism, and the people in spontaneous action, if that does exist, are the peak of democracy. I do not accept that logic. Democracy went beyond "spontaneous" outpourings of love and hate a long time ago. Referendums, direct elections, monitoring of the work, and publicity are the methods used today to establish a leadership that suits the people. That is our path toward changes. In any case, if my memory serves me correctly, the concept of an antibureaucratic revolution is associated with a statement by Franc Popit, the former President of the Slovene Presidency, who was almost called to account for talking about that several years ago. Probably at that time as well no one took into account the fact that almost a quarter of those employed in Kosovo and Montenegro

work in noneconomic activities, while in Bosnia-Herzegovina, Slovenia, and Croatia, that figure is less than 15 percent; or another fact, that allocations from business income are highest in the Serbian SR: more than 50 percent during the first 9 months of last year, with a trend toward a drastic increase during the period of the antibureaucratic revolution. It is time to use these numerical data for an objective assessment of the results and processes.

[DANAS] A special part of the Croatian and Yugoslav situation is represented by the press, which is said to be conducting a real media war. Furthermore, some media, for instance, are even claimed to be separatist or pro-Ustasa. How much does all of this serve in the struggle for power?

[Dimitrovic] Conflicts on the political scene are necessarily manifested in the press as well, and influence its official or ideological association with the positions and orientations that are on the scene. Many of the problems are out in the open, and the public has become distrustful of the public media. Obviously, it is still necessary to create conditions for the media really to serve the purpose of providing comprehensive and true information to the public. The attacks that can be read in the press are equally merciless whether they are directed against people or other newspapers. Political relations have undoubtedly overcome collegial relationships and ethics. I cannot go into those characterizations and attacks. I stand firmly behind the position that there is no point in discussing who is acting in a pro-Ustasa or pro-Cetnik manner. Those are matters for the prosecutor's office, and not for polemics in the press.

I would like to state several observations about DANAS as well. I assess a weekly of that type primarily in terms of the extent to which its editorial policy allows it to portray the Yugoslav situation in all of its breadth and diversity in wrestling with the crisis. It seems to me that recently there have been articles that replace that diversity with the dominant topic of relations between Croatia and Serbia. I cannot agree with that, because in the final analysis, that can lead to exacerbation and conflicts. It is clear that a significant part of the public, and also various other influences—circulation, politics, exclusivism—are suggesting that the press express "firm" positions and that they be treated unsparingly. Today it is really a question of having the strength and wisdom to resist those challenges. That, however, is the real boundary between those who can create something new and those who can destroy, and it is the central measure in examining the maturity and responsibility of the press, but of politics as well.

[DANAS] How do you view the more intensive participation of the judicial system in some political events in recent days?

[Dimitrovic] I have advocated replacing arbitration by the LC and the politicization of all of our issues by the activity of the system's institutions, the market, democratic speech, and a legal state. If we want such changes, then it is necessary to support their active relationship in the fulfillment of constitutional positions. It is a pity that processes are taking place in society such as counterrevolution in Kosovo or major changes in the structure of authorities which are legally elected, with this being primarily the concern and jurisdiction of politics, and not of the state. At times it seemed as though the state were not even functioning, and as if the differences within the LC were blocking it. It is good that we are getting out of that situation throughout the entire country, and that the federal and republic institutions are taking up their tasks in accordance with their legal and other authority. Admittedly, today there are also speculations in connection with this that supporting legality means renouncing a democratic orientation in overcoming the crisis. Those assertions are unfounded. The constitutional order in the SFRY must be defended, above all, by the state. That is a precondition for any democratic development whatsoever.

[DANAS] Along those lines, do you see any possibility for renewing the role and influence of the Yugoslav state and political leadership?

[Dimitrovic] A renewal of the federal leadership's role cannot be based solely on restrictions. It implies that the federation launches initiatives for solving society's most serious problems, and that all institutions do their jobs, which is a guarantee for the stabilization of Yugoslavia. If we are talking about the Yugoslav synthesis, then the key characteristic is the creation of the conditions for the federal leadership to initiate and conduct actions. We likewise feel that a Yugoslav action can only be one that is agreed upon at the federal level, and by no means one that is imposed. It seems to me that with the new government's initiatives, a precise position from the SFRY Presidency, and a calmer position from the LCY Central Committee, the conditions would arise for renewing the strength and reputation of the Yugoslav leadership.

[DANAS] In addition to various unprincipled accusations, there are also disagreements on the Yugoslav scene concerning the implementation of key reform measures, for instance, the nature and role of pluralism.

[Dimitrovic] This is obviously one of the most important issues of socialism. Socialism's world crisis indicates that its development, with the monopoly and a priori vanguard nature of the Communist Party, is at a dead end. Furthermore, the essence is not the undemocratic nature of that solution, although it exists, but rather primarily the fact that new technologies and the development of production forces based on them simply cannot tolerate monopolies. In some cases things break down over the issues of development. In our relations that problem is taking on the sound of household folklore. We have

rallies on the scene that some people prescribe as the basic form of democracy, and, on the other hand, aspirations toward political or party pluralism, which also claim the right to represent the highest range of democracy. Furthermore, they are mutually opposed to the point of exclusivism, and, supposedly, all of this is for the sake of democracy. In my opinion, both sides suffer from the same problems of adolescence that are most eloquently expressed in the already classic expression, "No one understands us." That is part of our mute response or degree of inclusion in the internationally understood or realized concept of democracy. To put it more simply, everyone sees democracy as a goal, but not as a way of life. If we understand this as a necessary phase in development toward democracy as a way of life, the kind of life whose quality depends upon the realization of the total human personality, then we must find the strength to begin to take a stance toward everything on the basis of reform and work, and thus seek something better.

Specifically, if we want to progress through development, our goal is to mobilize all of society's potential, and the prospect is self-management. Today there is not enough strength in the system for that. Liberation of society's creative potential requires a market and the possibility of expressing the pluralist nature of society arising from increased competition. In spite of all the politicizations, we are in agreement on developing non-party forms of pluralism, and on creating conditions, through the Constitution and the laws, within which the foundations of the social order will be effectively protected. On that basis, it is possible to open up sufficiently broad space for the realization of society's socialist self-management, democratic, and developmental goals.

[DANAS] There are also major differences with respect to the problems of federalism. Not only is the 1974 Constitution being proclaimed the cause of the crisis in this context, but recently there has also been a great deal of dispute in approaches to the country's federal system.

[Dimitrovic] The federal principle is indispensable for the life of a complex community like ours. Because of its multinational composition, differences in the degree of development, and, finally, the self-managing orientation, federalism is an imperative for the existence and development of our federation. Without it it simply cannot function. There is nothing new to say about that. It was already known two centuries ago in America that any disruption of relations in a complex community, in favor of one of its units or a group of them, would destabilize it to the point of collapse. Another dimension is the use of federalism—and it should also be known—which is a matter of life, interests, the balance of forces, and the object of political struggle and changes. Consequently, federalism is a necessity, while individual institutions and solutions are a matter for discussion. Let me be clearer. Let us take the struggle against crime, and the protection of citizens. Our entire practice in that regard

has been reduced to the jurisdiction of the Public Security Service [SJS], organized by opstinas. Is that suitable for the times? We in Croatia decided that the SJS should be organized by republic in a unified manner. A similar conclusion may also be reached at the federal level. That would lead us into forceful discussions, but it is evident that the solution is not in conflict and the selection of one, but rather in competition. Why not form parallel institutions? The American federation has that, the local police and the FBI, but so does Italy, which is not a federation (the police and the carabinieri). The problem is solved through a new quality. The unity of authority is not threatened. Of course, abuses of an institution are prevented. There are thus solutions which can satisfy both the republics and the federation, even when they proceed from what at first glance are opposing interests. Let the courts resolve disputes in practice. A similar logic can be applied in many places where interests are supposedly in conflict. The principle for resolving those conflicts is competition instead of a monopoly. Now, through the theses about lack of conflict and unity, and their idealization, we are shifting the problems into politics, where they are unsolvable. Life and practical experience should come before big words.

[DANAS] Isn't disunity often mentioned as the basic cause of the crisis?

[Dimitrovic] There are several layers to that problem. The first is derived from the illusion that unity can be imposed or that it is established by the central authority, so that it abolishes the local authority. The mistake is that this is not a question of unity, but of who will have the power. When people in our country strive to have an acceptable discussion of what authority will be in the federation, republic, opstina, or enterprise, or everywhere and nowhere and so forth, we turn that into a story of unity. Unity is possible if the key interests are common ones and if they are linked, and a discussion of unity implies a path from one's own interests to the common ones, without conflict. In other words, it has to do with whether we can create an environment within which there will be enough space for realization of individuals but also of groups, nations, and republics. The common policy must create opportunities for everyone to find a place in the sun, and must create a synthesis out of different interests. That is the path toward unity. The conclusion would be: unity cannot be achieved through the possession of power, but rather through building the conditions for it.

[DANAS] Some people in the LCY are proposing that the problem of disunity be solved by abolishing parity in favor of a simple majority. What would such a change really mean?

[Dimitrovic] That was discussed in the LCY, that is, the KPJ [Communist Party of Yugoslavia], half a century ago. It was concluded then that the party, if it wanted to strengthen its position and attractiveness, had to respect society's constituent elements and interests in its own

structure. Even then positions were incorporated about both the nation and the class, and later, through AVNOJ [Anti-Fascist Council for the National Liberation of Yugoslavia], about the federation and even the individual as well. The LCY today cannot neglect a single one of those aspects if it wants to be an integrating force for Yugoslavia. If the LC renounces its national policy in favor of something else, or if it adopts a supranational stance—which is even more dangerous—then it will lose its potential for solving Yugoslavia's problems, because it will not represent Yugoslavia in all of its dimensions. Even if the LC decided on that, it would not create the foundations for pushing through the policy of the simple majority, following the model of democratic centralism, as perhaps someone might expect; on the contrary, in some areas it would probably become a minority or even disappear from the scene. That is why this is not a subject for facile conclusions and off-hand decisions. A decision to abolish the republic organizations would have similar but even more tragic consequences. That can only be proposed by those who do not understand Yugoslavia, or history either. All tolerance notwithstanding, it is really not possible to reach an agreement in these terms. Perhaps it is time to talk about violating programmatic and statutory positions, instead of conducting a dialogue in such cases.

[DANAS] You obviously see the chance for getting out of the crisis as being in reforms. Even if they are initiated, however, they will not yield results overnight. How do you assess Croatia's social capacity to endure all of this?

[Dimitrovic] Croatia clearly has a threshold of social endurance several times higher than in the less developed areas. Its personal incomes are higher; employment is higher, there are more significant additional revenues from tourism and agriculture, and unemployment is half as high. All of this is not equally distributed, however. Relations are on the brink of endurance at Borovo, TANG, Varteks, TVIK, and construction and similar collectives. In certain circumstances this may even cause "conflagrations" on a larger scale. Consequently, we are moving along the brink of an escalation of social dissatisfaction. Such a situation requires a clear answer—can we change this, or simply wait for a miracle? Unfortunately, in Croatia we have been waiting for a long time for something to remove this nightmare. Fortunately, now work has been started on the crisis points in social welfare and the workers' situation.

Today programs are being developed that represent the first steps in the transformation of these areas. That is part of a comprehensive set of measures to restructure the economy, with the chief goal of creating production from which it is possible to live well. We have the capabilities for such changes. If we succeed in obtaining

additional funds through joint investments with foreign partners, or other forms of support, Croatia could take significant steps forward in raising its economic capability. That would also leave behind the present level of social tensions.

[DANAS] A vital prerequisite for the reforms is creating a "reform atmosphere," i.e., an orientation toward work and not struggles for power and divisions. For that purpose, it is necessary to develop a Yugoslav initiative, as opposed to parochial national projects. Which forces can one count on in that regard?

[Dimitrovic] First of all, it is necessary to take into account what the alternatives are based on. Those which proceed from majority rule simply ignore the fact that it is not a principle of modern development. The experiences of modern times indicate that not even the strongest can enforce their will on that basis. Influence today is transmitted through technological and other more progressive and more developed models of life and creation. The globalization of the world is simply destroying everything that cannot fit into that trend. The separate concepts which may rely on a dramatic outcome of the struggles within the first alternative are simply not taking into account the fact that all of us together are insufficient, and we will particularly be insufficient if we continue to fragment and isolate ourselves. Modern development requires cooperation, opening up, and proving oneself on the grounds of creativity, economy, and other capabilities for development and growth; this inevitably tramples upon those who would like to have feudal walls around themselves. Consequently, cooperation, coexistence, and opening up to the world are necessary to us. On those foundations of respect, tolerance, democratization, and competition, it is also necessary to solve people's problems, as well as the issues of relations among the subjective forces of socialism. Finally, if one adds to this people's awareness, which is predominantly Yugoslav and socialist, and if one adds the need for a peaceful and secure life for everyone everywhere, then the forces of the Yugoslav synthesis are much stronger than the forces of politicization, conflict, and nationalisms aroused at the wrong time. It is simply that the concept of the democratic reformation of society, the expansion of the sphere of freedom, and reliance upon people's initiatives, potentials, and interests is a worldwide trend, and it is a force that, sooner or later, will crush the remnants of the obsolete models of the past, and those being produced now. Speeding up those processes and strengthening people's self-confidence that they have real chances are extremely important for shattering those other initiatives and weakening the power of the manipulations being resorted to by nationalists, dogmatists, and other forces from the past in order to extend their days, which are numbered.

HUNGARY

EEC 1992 Project: CEMA Impact, Required Actions Described

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[Article by Dr Peter Balazs, Ministry of Trade department chief, and Mrs Gabriella Hedri Izik, scientific consultant to the Hungarian Foreign Affairs Institute: "The European Community in 1992: The Challenges and Consequences for Nonmembers"; first three paragraphs are KOZGAZDASAGI SZEMLE introduction]

[Text] In June 1985, the European Community decided to create a unified internal market by [the end of] 1992. As evident from the work schedules announced to date—including the results of, and plans for, unifying national industrial regulations, national standards, and national testing and certification procedures—this will be a lengthy and contradiction-laden process. But, as the authors indicate, the EEC has nevertheless been making significant progress toward the unification of its internal market.

The competitive situation of nonmember states in the integrated market will depend to a large extent on how they adjust their domestic regulations to those of the Common Market. It is important also for the CEMA countries, Hungary included, to bring their own regulations closer to the new set of rules Western Europe's Economic Community is adopting. The agreement recently concluded [with the EEC], and the joint commissions formed in its wake, provide a good opportunity for this.

We have to gain a thorough knowledge of the EEC's internal-market [1992] project, and of the statutory regulations [directives] that are being adopted. We have to study the direct and indirect import-restricting practices the Common Market now employs, and prepare ourselves for the developments that can be expected in this area. Our task is active adjustment, which must be coupled with active legal defense.

It will be remembered that the Treaty of Rome, which created the European Economic Community, called for completely free movement of people, goods, services and capital within the Community already by 1968, but the efforts to reconcile national interests to the extent this would have required were unsuccessful. The Single European Act, signed in 1986, now sets 1992 as the deadline for the internal market's unification, although it is unlikely that this project will have been fulfilled in its entirety by then.

Nonmember states, nevertheless, must begin to prepare themselves in due time for the qualitatively different situation that will arise, sooner or later, in a unified Western Europe. Nonmember states can avoid, or at

least limit, new barriers to their exports to the Community, by familiarizing themselves with the uniform EEC regulations and by striving to adjust to them; and, wherever possible, by agreeing with the EEC on mutual recognition of the respective regulations.

Although the 1992 project's implementation will not be complete by any means, it seems to be becoming reality in essential respects. The EFTA [European Free Trade Association] countries, for instance, are taking this project seriously, as well as its retained "protectionism through regulations and standards" features that are hampering the EFTA countries' exports [Mrs Izik, 1987]. Through autonomous official measures, therefore, they are adjusting their rules to the uniform EEC regulations and norms, wherever they consider such adjustment possible and necessary. Hungary, too, has taken initial steps in this direction: We have concluded a trade and economic-cooperation agreement with the EEC, our most important business partner in the West. The agreement sets a timetable for dismantling the discriminatory quantitative restrictions on the entry of Hungarian goods; and it calls for the creation of a joint commission to develop cooperation. The commission will hold regular annual sessions, and each side will appoint its delegates to the commission. The establishment of diplomatic relations will also enhance mutual understanding.

The 1992 Project

Before the signing of the Single European Act,¹ the EEC Commission's work schedule for 1985 already contained the following task:

"The creation of a single, large market serving a combined population of 320 million people presupposes that the Community's member states remove all barriers, harmonize their rules, unify their statutory regulations and legal systems, develop their monetary cooperation, and adopt expedient measures to promote cooperation between European enterprises" (Weidenfeld-Wessels, 1986). After the EEC countries' heads of state and heads of government approved this work schedule at their 1985 summit meeting in Brussels, the Commission issued a white paper ("The Commission's White Paper," 1986) that contains also a timetable and proposes the adoption of 300 directives, to remove physical, technical and fiscal barriers.²

The removal of physical barriers applies essentially to internal frontier checks and customs controls. To dismantle the barriers stemming from differences in the provisions of the various standards and industrial regulations, suitable conditions must be ensured for the free movement of employees and the self-employed within the EEC, for a unified market in services, and for industrial cooperation, and also the widest possible application of Community directives. An end to protectionism in public procurement—i.e., of the practice that member states give preference to their own suppliers—also belongs here.

Nonmembers (the EFTA countries in particular) consider the unification of industrial regulations and standards dangerous, partly because the unified regulations and standards approximate those of the more advanced member states, and partly because enforcement is much stricter than it has been up to now in the case of most national regulations and standards. But what, according to the Cecchini Report prepared at the EEC Commission's bidding, is the difference between standards and regulations?

- [National] industrial regulations are legally binding because they are enacted as laws, mainly to protect consumers, and to enforce considerations of public health and environmental protection.
- [National] standards are not legally binding, because the bodies that set them are not organs of state power. In spite of this, the differences by countries are creating considerable problems. After all, West Germany's DIN, France's AFNOR and Great Britain's BSI standards have the force of law in most cases.

The purpose of testing and certification procedures is to inspect goods and their production methods, on the basis of freely adopted standards and statutory regulations.

Every standard and every health, environmental or similar regulation can be enforced correctly, and also as a hidden nontariff barrier to trade. This is experienced even within the Community, especially in the case of motor vehicles, telecommunications equipment, food products, pharmaceuticals and building materials. The Cecchini Report estimates that the added costs resulting from barriers of this kind amount to 4.8 billion ECU [European currency unit]'s a year.

The barriers created by the more than 100,000 mutually different industrial regulations and standards are to be removed in the following ways:

1. There will be mutual recognition of some of the industrial regulations and standards, provided they conform to the environmental, health and consumer-protection regulations.
2. The EEC will unify the essential parameters of certain industrial regulations and standards, and will then let the Community's two standard-making institutes work out the details.
3. Member states will be required to register with the EEC Commission the industrial regulations and standards they intend to introduce, and they will be exchanging information with one another also on their own initiative. A task similar in its nature is mutual recognition by each member state of the professional qualifications obtained in the other member states, which is necessary if there is to be free movement of manpower

within the Community. The ways and means of achieving this are still being debated. It seems easier to dismantle the still existing barriers to the free movement of capital.

The removal of tax barriers means the unification of the VAT and excise-tax rates. This may result in significant price changes in the case of some products, and therefore national interests clash sharply here.

The report also examines separately the degree of integration in some industries. Of particular importance to us among these industries are obviously the ones in which we, too, are able to export:

- a) The food industry: Trade in ten products produced in the five largest EEC countries is being hampered by 218 nontariff barriers (special import restrictions, packaging and labeling regulations, bans on certain additives, regulations regarding content, and variable levies).
- b) The textile and clothing industry is highly integrated. But consumers are not deriving much benefit from this, because enterprise profit may amount to as much as half of the retail price.
- c) The sale of pharmaceutical products is subject to government approval in every EEC country. The criteria for granting approval have been unified to a considerable extent during the past two decades, and there is hardly any difference in technical standards. Thus, at least in principle, any member state will approve a product of another member state's pharmaceutical company within a uniform time limit of 120 days. In practice, however, only France observes this time limit. It takes two years to obtain approval of a new pharmaceutical product in the FRG or Great Britain, and at least three years in Spain or Italy.

The key question for nonmembers is whether regional economic integration will increase or reduce their opportunities to export. Regarding 1992, the answers of West European experts differ. They are arguing over the extent to which the project's implementation can succeed, and also over what impact implementation will have on nonmembers:

—By the Cecchini Report's optimistic estimate, an actual internal market will make the Community 200 billion ECU's richer and will create between 2.0 and 5.0 million new jobs. The EEC Commission estimates a probable error of 30 percent from the very outset, and thus the Community's gain will perhaps be only 140 billion ECU's. But the British institutes investigating this problem are forecasting merely between 10 and 14 billion ECU's, and only 300,000 new jobs by 1995.

—The EEC experts have not abandoned their view—which, incidentally, also Hungarian authors have criticized—that a customs union will automatically create a single market, which will lead to an economic union, and

that in its turn will finally bring about a political union. This so-called theory of functional integration disregards those political interests of the member states that are not directly intertwined with their economic interests. The contention is hardly debatable that national interests will continue to outweigh Community interests as long as the fate of governments depends on their electorates. Unification is being hampered by failure to harmonize social policies, not to mention the backward regions or the fact that the economic level of the two poorest member states (Portugal and Ireland) is not moving toward the EEC average.

Regarding the extent to which the project can be implemented, our hypothesis is that in the next four or five years the EEC will not yet become an economic union, and even less a political one. (Here the point is not merely that the coming period is too short to accomplish what could not be accomplished in the past 30 years; but mainly the fact that, as a matter of principle, sovereign states cannot form a full-fledged economic union, specifically because of the differences in their particular national interests.) At the same time the European Community will make progress in creating a single internal market, just as it has already unified many other things. The very quickly established customs union was followed by the adoption of a common agricultural policy (no matter how distorting, it is nevertheless a common policy), by the formulation of a common policy on trade with nonmembers, and by a host of common R&D projects. The EUREKA program in which all member states are participating, the European Monetary System (and, within it, cooperation among central banks), the introduction of unified shipping documents, and European Political Cooperation (the organizational framework for political cooperation) have all been successful.

It may be assumed that, in the course of creating an internal market that will not be a complete one, those regulations, laws and standards will be unified first on which the various member states' interests differ the least, and only then will attention turn to the questions requiring a more complicated reconciliation of interests.

In 1992, the European Community will not have an internal market that will function as if it were a single country's market. But the 1992 market will certainly be more unified than the present one. For the widening of Western Europe's scientific and technological gap relative to the United States and Japan in recent years, or rather the determination to close that gap, is acting as a compelling force for the intensification of integration. And it should be noted that the unification we are discussing will outgrow the EEC's borders: already integrated into the EEC through free trade in industrial goods, the EFTA countries are investigating, both jointly and severally, their possibilities for adjusting their regulations.

There is likewise no clear answer to the question as to whether the EEC is creating or discouraging trade. The EEC's common agricultural policy, for instance, has definitely proven to be discouraging trade. The internal market's development is likewise not free of the danger of becoming isolated from the world market, but hopefully this isolation will be only a temporary one. Naturally, this trend affects nonmembers in various ways, depending on the individual countries' domestic economic potential, their ability to adjust, their economic strategy that takes the EEC's development into account and, finally, the level and possibilities of cooperation between a given nonmember state's enterprises and EEC companies.

Mutual bridge-building in the form of a continuous flow of information and continuous adjustment, as this can now be seen between the EEC and the EFTA, is undoubtedly essential. Besides the macroeconomic and microeconomic spheres, this applies to the political sphere as well. After all, the EEC countries' integration stems as much from political as from economic interests. In recent years the EEC's political bodies, particularly the European Parliament, have shown themselves to be open also toward Hungary, among others. On the other hand, our political openness has contributed in large measure toward the conclusion of our new type of agreement with the EEC, and will have to contribute also toward the further bridge-building efforts.

Nonmembers' Response to 1992 Project

Countries that are not members of the EEC are following with growing interest the unfolding of a qualitatively new phase in the process of Western European integration. The plan to create a single market generally arouses concern in countries that have close ties with the EEC: they expect that the Community will become closed, and that the competitive situation of nonmembers will worsen, uncontrollably and inevitably. The EEC's efforts are directed toward narrowing its gap relative to its two main competitors, namely the United States and Japan. At the same time, however, primarily the competitive situation of the neighboring regions' suppliers will worsen in the Community's market. The EEC is a regional pole of attraction for three groups of countries (the EFTA, the Mediterranean countries, and the European members of CEMA), and particularly they will be affected by the further development of integration, or rather by its quality.

The "remaining" EFTA countries are linked to the EEC by free trade agreements, and by close ties of economic and R&D cooperation. This system of relations has been in effect for close to 15 years. The agendas of the talks on cooperation in recent years—bilaterally between individual EFTA countries and the EEC, and also interregionally between the EFTA and the EEC—included numerous questions that fit directly into the 1992 project for a single internal market (the unification of

customs documents, for instance). Moreover, the individual EFTA countries are adjusting also administratively. They are following systematically the adopted EEC directives and standards, and other EEC measures as well; not only because the Community's share of their foreign trade is around 50 percent, but also because the question of joining the EEC, or at least of establishing closer ties with it, is likewise on the agenda in most of the EFTA countries.

In the Mediterranean countries' foreign trade the EEC again plays a dominant role (its share of their trade turnover is around 40 to 50 percent). Therefore these countries, too, are keenly interested in the 1992 project. Adjustment to, or alignment with, this project is made easier by the fact that most of these countries have so-called global cooperation agreements with the EEC. These agreements make multilateral cooperation possible and abound with elements of aid. There are two factors that dampen the 1992 project's detrimental impact on the Mediterranean countries. First, bilateral agreements ensure for these countries preferential treatment by the EEC, giving them a competitive advantage in the Community's market. The other factor is the composition of their export, with its typical preponderance of farm products. Therefore the 1992 project—with its concentration on industrial standards, on modifying the legal and financial conditions of business activity, on developing trade in services, etc.—is not causing them as much of a shock as the admission of southern European countries to the EEC has, which has worsened directly and considerably the competitiveness of the Mediterranean countries' agricultural export to the Community's market.

The EEC holds great reserves for the further development of the European CEMA countries' economies, because prolonged political antagonism has kept economic relations at an artificially low level. It is difficult to determine the EEC's share in the trade turnover of these countries, because statistics are distorted, depending on how the ruble-dollar cross rates are set. (According to EEC statistics, in value terms the Community accounts for around 10 percent of the European CEMA countries' trade turnover on average; in Hungary's case, the EEC's share is about double the average for the European CEMA countries.) Raw materials and semifinished products make up the larger part of the European CEMA countries' export, and these commodities are less affected by Western Europe's latest integration measures. But these countries' agricultural export has traditionally been suffering from the effects of the EEC's agricultural protectionism. At the same time, to take advantage of the unquestionably existing opportunities for economic cooperation and from the viewpoint of realizing the plans for CEMA-EEC and pan-European cooperation, it has become an essential task for the CEMA countries to bring their regulations closer to the Western European Economic Community's new set of rules that determine trade, cooperation between enterprises, R&D cooperation, etc. The simultaneous normalization of relations between CEMA and its individual

members on the one hand and the EEC on the other—an end to disputes over mutual recognition, the conclusion of agreements, and the establishment of diplomatic relations—provides a favorable background for all this. These measures will also create the institutional framework (for instance: CEMA- and EEC-level forums for cooperation on standards, the bilateral joint commissions of the individual CEMA countries and the EEC) that can help promote alignment with the 1992 project.

Three main courses of action are available to every interested nonmember state. The first task is to become thoroughly acquainted with the 1992 project and to follow closely the published directives implementing it. Some of the adopted measures (for example, the questions of enterprise mergers within the EEC, the tax rules, the visa regulation) are for the information of the nonmember states' appropriate authorities and enterprises, and should be used by them in marketing. The second main course of action is active adjustment, which applies primarily to the measures for the unification of industrial standards and regulations within the European Community. Failure to adjust could be as detrimental for the nonmember states as when prohibitive duties are levied on their exports or when meager quotas are forced upon them. The third main course of action is response to certain measures, so-called active legal defense. Its primary area is the regulation of trade policy. Although the EEC's 1992 project claims that the internal market's unification will "benefit" nonmembers, the import regulations that are being elevated to the Community level are not free of discrimination. It is equally in the interest of, say, Morocco, Switzerland or Israel, just as of Hungary, to challenge such discrimination. (But it is likewise foreseeable that primarily the competitive exporters in the Pacific area will benefit from the EEC internal market's expanding dimensions, even more than the weaker EEC countries will.)

Intensification of EEC Integration, External Relations

The Single European Act has definitely broadened the Community's external (i.e., international) competence in two important areas of economic integration, namely in R&D and environmental protection, areas whose significance from the viewpoint of cooperation with nonmember states has increased well after the elaboration and conclusion of the Treaty of Rome. (Moreover, the act has incorporated into the original treaty also the foreign-policy cooperation that has evolved among the EEC's members. Both in terms of its basic principles and its employed instruments, however, this cooperation differs significantly from, and falls short of, economic integration.) The question justifiably arises as to why the chapter on the single internal market makes no mention of external relations? After all, the objective of "an area without internal frontiers," which Article 8/A of the Single European Act sets, leads logically to a common external frontier that is more uniform and qualitatively

new. In other words, the realization of this objective will foreseeably modify and influence in several respects the EEC's relations with nonmember states.

Naturally, in the Community's view, an economic area free of internal frontiers cannot be imagined without common external defense (Ehlermann, 1986). Article 100/A of the Single European Act may be suitable for this purpose, in that it provides decisionmaking procedures "for the realization of the objectives outlined in Article 8/A," both for the case of autonomous and Community solutions. But it is evident that, regarding the single internal market, the EEC has chosen an implicit approach to the question of external competence. This can be traced to a landmark decision by the European Court of Justice, which states that for every domestic sphere of authority there exists a corresponding external, international sphere of Community authority of the same content (The European Court of Justice, 1971). Knowing the member states' mutually different concepts of economic policy, and within it of trade policy, we may conclude that the Commission's insistence on a positive formulation of specifically how the common external frontier surrounding the common internal market was to operate would very likely have brought to the surface so many conflicts that the member states would hardly have been able to come to an agreement. The EEC's liberal and protectionist member states respectively would certainly have clashed, the traditional conflict between the FRG's trade-policy concept and that of France would have intensified (since the EEC's enlargement, this has grown into an economic-policy conflict between West Germany and the EEC's Latin members), and presumably the dispute over policy and regulation would have been accompanied by institutional problems as well.

The fact remains that in the Single European Act—and not only in the Act itself, but also in the debates surrounding its elaboration—the problems of the Community's external relations, the impact that the measures adopted to intensify Western Europe's integration would have on relations with nonmembers, and the question of conforming to the international norms that are in force—to GATT, in particular—have been strongly deemphasized. The EEC regards as its internal affair the updating of the Treaty of Rome, the renewal of the system of EEC institutions, and the creation of a single internal market.

The details of the new conditions that are planned to be in place by 1992 (the reinforced common external tariff wall, and the common external administrative frontier) must be sought in the Commission's white paper (*L'achèvement du marché intérieur* [The Completion of the Internal Market], 1985). In principle, the goods that will be able to move freely in the 12 member states' single internal market include also imports. In other words, certain functions (which, pursuant to the provisions on common trade policy in Article 113 of the Treaty of Rome, should have been exercised only at the

common external customs frontier already from the end of the transitional period) will now be moved to their proper place, in accordance with the Community's original objective. Thus the full-scale application of the EEC's common trade policy, incomplete up to now, is already within sight.

Single Internal Market, Quantitative Import Restrictions

A single market is usually a geographically definable area on which supply, demand and prices obey uniform regulations. Essential elements of such a system of regulation are the conditions for the entry of goods from other markets, particularly an exchange-rate policy, import duties, and the quantitative restriction of import. A common EEC external tariff is a necessary condition, but not a sufficient one, for developing a single market. The "single internal market" project calls for elevating to the Community level the quantitative regulation of import, and this is another essential condition for creating a real internal market. In the project's third part we find measures for harmonizing the member states' tax policies. The implementation of these measures is one of the prerequisites for the uniform development of prices. But the conditions for uniform prices at the Community level are still far from being in place. While there is more justification for regarding the creation of such conditions the Community's internal affair (even though they will affect also how the competitiveness of imports develops), making the quantitative regulation of import a Community responsibility will have a direct effect on the position of certain imports, and even of certain suppliers from nonmember states, in the Community's internal market.

As we very well know, the quantitative regulation of import is typically an area where the EEC's common trade policy has remained unfinished (Timermans, 1986): The Community's original program made concessions to the member states' protectionism-motivated fears for their national markets. This is evident from Article 115 of the Treaty of Rome, which authorizes any member state to close its national frontier to imports that have crossed the common customs frontier and have been admitted to trade within the Community, in compliance with the EEC rules. Due to the differences in the quantitative regulation of import, the same imported product may enter the markets of individual member states under different conditions (more accurately, over different quantitative barriers, and occasionally without any such barrier). This situation, as representatives of nonmember states have pointed out on numerous occasions, is contradictory to begin with (indeed, it is an absurdity from the viewpoint of trade policy). Thus the quantitative import barriers that differ by countries are inconsistent with the Community's common trade policy, and with the common external tariff on which the common trade policy is based; in other words, they are in conflict with the existence of a customs union. Furthermore, the differing quantitative import barriers have

perpetuated a protectionist system of dubious effectiveness, because every selective import restriction is a "fence full of holes." And the EEC's system of quantitative import restrictions is doubly selective. First, it differentiates among nonmembers, which means that it is discriminatory. Secondly, there are differences in the individual EEC members' import regimes as well.

The so-called internal protection clause in Article 115 of the Treaty of Rome "shields" EEC members by preventing some product from entering the national markets of members pursuing a stricter import policy, through the import channels of some more liberal member and via the Community's internal trade. This phenomenon is familiar also in the operation of free trade zones: The member states' mutually different import restrictions remain in effect toward third countries even after their abolition in internal trade. In the case of integrations of the customs union type, the possibility is excluded in principle that trade may be diverted due to differences in national import regimes. The unfinished nature of the EEC's common trade policy is evident, among other things, in that this principle does not apply.

In what areas or for what commodities is there selective quantitative regulation of import within the EEC? The investigation of this question is of special importance because it helps to identify the commodities for which the single internal market's realization will probably cause changes in the regulation of import, for the reason—or under the pretext—that such regulation will then be a Community responsibility. Within the EEC's import regime there are at present three main areas where quantitative regulation, differing by member states and selectively applied against nonmembers, is typical. The most flagrant application of Article 115 occurs when the member states themselves set certain quantitative import restrictions within their own competence. This is what happened first of all in the case of restrictions against countries where trade is a state monopoly.³ The periodically updated supplement to Directive No 3420 of the EEC Council of Ministers gives a variegated picture of the restrictions, in a breakdown by member states. Another case of carving up the "Common Market" is the import regime applicable to countries with market economies (Directive No 288): It, too, makes selective (in other words, discriminatory) restrictions possible, namely against Japan and other countries of the Far East. Finally, there is the third case which, in contrast to the preceding ones, is based on Community-level international agreements, rather than on autonomous ones, but they typically reproduce the member states' separate and closed national markets: the bilateral textile agreements concluded with individual supplier countries (including Hungary) under the International Multifiber Arrangement contain import quotas for certain products that are regarded as sensitive, and these quotas are not set for the EEC as a whole, but are broken down by member states.

Experience of EEC's Internal Protective Measures

Obviously, it will be primarily up to the EEC members themselves to decide whether to agree to treating their Common Market as a truly single market or to continue in their insistence on separate protection for their partial markets. The fact that the Single European Act has not amended Article 115 of the Treaty of Rome indicates that the battle between the Community and its members is far from decided. An analysis, by member states and commodity groups respectively, of the instances in which Article 115 has been invoked sheds light on the decisive interests (Neme, 1988).

From the data available for a lengthier recent period (1979-87) it can be established that four-fifths of the internal protective measures were employed by three member states: France (42 percent), Ireland (24 percent) and Italy (14 percent). In addition to them, noteworthy is Spain's behavior: Although Spain is enjoying the benefits of the special protective measures to which it is entitled during the transitional period following its admission to the EEC, in two years it has resorted on 17 occasions to protective measures under Article 115. At the same time, the FRG and Denmark, and even Greece are not availing themselves of this opportunity.

Roughly 70 percent of the internal protective measures apply to textiles; about one-fourth, to various industrial goods; and merely 3 percent apply to farm products. The dominant role of textiles indicates that observation or violation of the Community's trade policy principle depends not on whether the international agreement concluded with a nonmember to regulated trade in a given type of commodity was concluded by a member state or by the Community as a group, but on what is the target of protection: the affected industry of each member state, of a region, or of the Community as a whole. As there is actually no industrial policy on either a narrower regional or a broader Community scale, the tendency is obviously to provide specific protection for the markets of the individual member states. Two categories of other industrial products enjoying special protection can be distinguished: the products of the industrially developed countries' declining industries from the past century, often cottage industries by nature (for instance: china, plate glass, glassware, shotgun shells, brushes, shoes, umbrellas, and toys); and modern, series-produced, competitively priced products of high quality from competing regions, mainly from countries of the Far East (television sets, radios, VCR's, cars, motorcycles, quartz watches, household appliances, etc.). Farm products are given internal protection only in particular instances; and Spain's admission to the EEC has made some of the protective measures obsolete.

The range of the commodities subject to internal protection also identifies the circle of supplier countries the most directly affected. Three-fourths of the exclusions from intra-Community trade during the past five years (1982-87) affected nine nonmember states from among a

total of about 30. Five countries in the Far East head the list (Hong Kong, Taiwan, Japan, China, and South Korea); these restrictions apply to modern industrial products and textiles. Next in rank are two European socialist countries (Yugoslavia and Romania) that supply traditional industrial goods and textiles, and are enjoying preferential tariff rates as developing nations, under the Generalized System of Preferences. India and Pakistan close the list, and in their case restrictions on textile imports are the dominant. (Hungary ranks 15th on the list.)

According to the white paper, the member states will have to remove all quantitative import restrictions by 1992, and such restrictions will be conceivable only at the Community level, i.e., at the level of the single internal market. From the member states' point of view, this change will mean two things: First, that the various import restrictions which the member states employ (or which the Community breaks down by member states) will cease at the EEC's external frontiers. And secondly, that it will not be possible for the member states to hold up import shipments at the internal frontiers. These two measures, as we have demonstrated, are closely interrelated. Of importance to countries outside the EEC is the question of what alternative solutions are conceivable as replacements for the removed restrictions. Actually the EEC's member states are just beginning to realize the problem. (It should be noted that the official talks between Hungary and the Common Market in 1987-88 gave the EEC's member states one of their first opportunities to confront the specific problems of their import regime after 1992. In the resulting conflicts, the division between the member states and the Commission was at least as great as between the Community as a group and Hungary.)

Probable Changes in EEC Import Restrictions

Thus the outlines of an import policy for a single internal market are by no means clear as yet. There are five versions at present, and they may be summed up as follows:

1. The most obvious and the most progressive solution, of course, would be to uniformly liberalize at the Community level the present import restrictions. (This version is called the FRG solution.) However, the proposal to liberalize cannot muster a [qualified] majority within the Community: In addition to the FRG, probably only Denmark and the Benelux countries would support it. If this proposal were adopted nevertheless, then there probably would be a proliferation of the "voluntary restraint agreements" and "gentlemen's agreements" that the other member states force on external suppliers (as happened in the case of restricting the import of Japanese cars). Parallel with this, probably also various hidden import-restricting administrative methods would spread in the national regulations of the individual member states.

2. The other obvious solution would be a trade policy measure in the opposite direction from the preceding one: to regulate the partially restricted import by means of import quotas set at the Community level. This solution's chances of being adopted are fairly good, even though participation in Community-level import restrictions would mean deliberalization in the member states which up to now have not been restricting the importation of the given commodity, and such deliberalization would be in conflict with the principles adopted in the Uruguay round of the GATT talks. (Furthermore, it would also be in conflict with the protocol of Hungary's accession to GATT, and with the freshly signed Hungarian-EEC trade and cooperation agreement as well.)

3. Likewise conceivable is the more extensive and more systematic use of antidumping actions (which, incidentally, presupposes formal liberalization of import and would thus be based on the first solution). This would bring the EEC closer to the import-restricting practices of the United States and Japan respectively. It should be noted, however, that at present there is no sign in the Community's thinking of any protective measure to be employed when import creates problems; whereas the principle of possible protective measures figures prominently in the EEC's trade policy, and the Community does have suitable protection clauses in all its international agreements, both the bilateral and the multilateral ones. However, a precondition for employing protective measures is the existence of the situation defined in the protection clause, and that situation's existence must be proven. (The member states strongly oppose also an idea advanced by the Commission, one that would fit perfectly into a uniform system of trade policy: Namely, that only the Commission be allowed to institute protective measures after 1992.)

4. Within the member states, a regional approach to the problems—using for this purpose the regional-development and social-welfare funds whose significance will be growing in the coming years—would be a qualitatively different trade policy measure, in that it would not be related to import. This way it appears feasible to solve the protection of the highly localized production of honey, toys and quartz watches within the EEC.

5. Finally, the white paper contains also the hypocritical proposal that if certain industries in the individual member states do happen to need protective measures of a quantitative nature against imports, then such measures should not be applied at the internal frontiers within the EEC, but "some other solution" should be found for them instead, within the national administrations. Obviously, the uncovering and challenging of such hidden, nontariff barriers would be the nonmember states' greatest problem.

Questions of Hungary's Adjustment

Implementation of the EEC's single internal market is a wide-ranging task. The white paper indicates the way to solve a part of the necessary measures; for the rest, the

larger part, of the measures (concerning the movement of capital, for instance) it confines itself to merely stating the problems. But the countries outside the EEC will be able to assess the new dimensions of their scope in Western Europe's unifying market only on the basis of the further specific measures and directives that will be adopted during the next four years to implement the white paper's individual points.

Due to changes in the conditions that influence the expansion of Hungarian export, and of cooperation within the Common Market, there are particularly three principal areas where we should be responding actively. We should be preparing ourselves for the transformation of the conditions under which exports may enter the market; for the unification of the industrial regulations; and for changes in the conditions under which enterprises with Hungarian equity participation may exercise their right of establishment in the EEC's single internal market, or under which the already established enterprises may operate there. Our article has concentrated merely on the first range of questions, and it will now end by summarizing only the conclusions that can be drawn from the transformation of the conditions for the entry of exports. But we deem it important that also the other two areas be analyzed as soon as possible.

The set of rules governing the entry of exports will basically determine under what conditions Hungarian products will be admitted to the EEC market, or whether they will be admitted at all, and from what position they will start to compete with the products of other suppliers. It is important to note that the question of our tariff disadvantage, which affect our ability to compete very painfully, does not fall within the subject matter of the EEC's 1992 project, because that question is linked to the operation of the existing customs union and, on its basis, to the Community's highly segmented and extensive system of preferences (P. Balazs, 1988a). However, the internal-market project does call for transforming the quantitative restrictions, the effects of which will likewise be critical. An important development from Hungary's point of view is that we—as the first CEMA country to do so—have concluded a bilateral agreement with the Community to regulate our relations (P. Balazs, 1988b).

According to the trade and economic cooperation agreement that Hungary and the EEC signed on 26 September 1988, a large part of the present discriminatory quantitative restrictions on our exports to the EEC will cease before 31 December 1992, the single internal market's originally scheduled completion date. In Hungary's case, textiles account for a significant proportion of the products to which specific, and therefore discriminatory, restrictions—now broken down by member states—will apply for three more years. Hence the future of these restrictions is closely linked to what will happen after 1991 to the International Multifiber Arrangement now in force, or to how the market for textiles will develop. In the case of our other exports (mostly traditional industrial products) that encounter barriers, it will be important also for Hungary to

monitor when and what kind of system the EEC will substitute for the quantitative import restrictions that differ by member states, and for the internal protection clause that supplements the application of these restrictions in intra-Community trade.

Hungary took the first steps toward adjusting to the EEC's unifying internal market even before the agreement was signed. At its 7 September 1988 session, Hungary's Council of Ministers considered a Ministry of Trade report analyzing the probable effects, and then adopted a resolution on what must be done (Resolution of the Council of Minister No 2023/1988). For the CEMA countries, the specific conditions for adjusting to the new phase of the EEC's 1992 project generally stem from the fact that these efforts coincide with the normalization of their relations with the EEC. It is undeniably an advantage over the past that confrontation is disappearing from these relations, and emphasis is shifting to cooperation. But it is under the new set of conditions of ever-closer Western European integration that they will have to realize—and in some instances such as their participation in R&D projects, for instance, even to establish—cooperation that could not develop at the time of political confrontation. However, we must not idealize the normalization of relations, either: the commencement of cooperation will probably not be smooth, because it will not be easy for the CEMA countries to overcome the prejudices deeply ingrained in Western European thinking, and to emerge from the category of "countries where trade is a state monopoly, and which are to be treated with discrimination," both politically and economically.

Within this group of countries that are starting out with a specific disadvantage in comparison with other countries outside the EEC, Hungary has insured for itself the relatively most favorable position, thanks in part to the conclusion of the Hungarian-EEC agreement, and in part to the cabinet-level resolution to prepare for the 1992 project. Our further progress will depend on the speed and initiative with which the authorities and the enterprises will act.

Footnotes

1. In the Hungarian professional literature the [German] expression "Einheitliche Europaeische Akte" [Single European Act] is being translated now as Act and sometimes as Document. We prefer the latter rendition. (Act in English means a law; yet the Germans have not translated it as Gesetz but have used the German equivalent for document.)

2. About 100 regulations have been unified so far, and a total of 286 directives is planned by the end of 1989. Experts believe that adoption of 95 percent of these directives will be feasible. But even so, about 1000 more regulations will have to be harmonized by 1992 (Boettcher, 1988).

3. Hungary is classified in this category.

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Changed Hungarian Rules Create More Tension in CEMA

25000162b Budapest FIGYELO in Hungarian
9 Mar 89 p 9

[Article by Istvan Salgo: "CEMA Relations and the Organization of Foreign Trade"; first paragraph is FIGYELO introduction]

[Text] The following has become increasingly clear over the years: While the Hungarian economy must reckon with a steadily worsening situation in its CEMA trade, the domestic regulation of these relations based on an earlier set of conditions, and repeatedly modified in its techniques in recent years, has not only failed to relieve the tensions but is itself a source of further conflicts.

The present situation demands a review of the direction of economic policy on CEMA trade, or rather of CEMA trade's economic regulation. In the course of this review a mechanism must be devised that will not only provide room for the more effective handling of the tensions arising in CEMA relations (and, wherever possible, will not just strengthen those CEMA relations which hold promise of advantages) but, over and above all this, will also not frustrate consistent implementation of opening up our economy to the world market.

Movement in this direction presupposes that we rethink the division of roles between the state administration and the enterprises in transacting CEMA trade. Regarding the desirable system of organizing Hungary's foreign trade with CEMA, we must start out from the principle that the adjustment of CEMA trade to the reformed Hungarian economy requires the state administration's withdrawal from the purchase and supply of commodities, and the quota system's gradual phaseout. At the same time, this is not just simply a matter of organization: the proposals for the state administration's withdrawal and the quota system's phaseout can be devolved only together with the conceptual plans for the regulation of ruble-denominated trade. But it must also be borne in mind that the system of organization, or rather the organizations themselves, do not readily tolerate frequent restructuring.

'Clear' Types

The organizational and regulatory questions are closely intertwined. When considering the possible versions, nevertheless, we encounter a different linkage in each case. From this point of view it is conceivable on the one hand that, once the internal regulation of trade with the CEMA countries has been clarified, the system of organization can then develop and function on the basis of

such regulation. On the other hand, schemes can also be devised in which the regulatory and organizational questions are organically interlinked, because regulation occurs within the organization. But the essential question is, how does the enterprise sphere's internal regulation relate to the rules of the game for CEMA trade as a whole? On this basis, but bearing in mind also the aspect outlined earlier, I will present four possible organizational solutions for transacting CEMA trade.

Here CEMA would cease to be a special market for the enterprises, and there would be no difference between exports to various markets. There are two ways this can be imagined.

In the first case, foreign trade would be transacted without the assumption of any obligation by the state and without quotas, at world-market prices and in convertible currency. The Hungarian enterprise itself would decide where to import from, and where to export its products to. The special handling of CEMA relations would cease to be a problem for the central government, and there would be no need to regulate ruble-denominated trade separately. Under these conditions there really would be no organizational problem: every firm would be free to decide in what organizational framework it wants to maintain relations with its CEMA suppliers and customers, in accordance with the practice in trading with other provenances and destinations. However, for reasons that point beyond this (the costs of the changeover, trade would be based entirely on clearing, etc.), numerous reservations can be formulated about this proposal.

The most important feature of the other clear organizational solution is that it strives to ease the conflicts among (1) unambiguous conversion to a market economy at home, (2) orientation on the world market, and (3) the retained rules of the game for CEMA trade, by establishing special institutions at the points of impact in adjusting to CEMA.

These special institutions would function as semipermeable membranes that let through real movement, but not the regulatory institutions' processes and effects.

This is the principle on which the concept of trading houses that have regulatory functions in trade with socialist countries is based. One such trading house would be established for trade with each CEMA partner, and it would have exclusive right to handle those deliveries in trade with the given country that are subject to quotas. Outward the trading house would act unambiguously as a public authority. Toward the Hungarian enterprises, in "dealing out" the quotas, it would act as a purchasing organization in business for its own account. The assumption of obligations between governments would be binding only on the trading houses for the given provenances and destinations. The state would have neither the right nor opportunity to pass such obligations on to the enterprise sphere.

Instead of acting simply as a go-between, the trading house for a given provenance and destination would set qualitatively different conditions for the Hungarian enterprises. A further advantage is that it would not require any significant changes from the viewpoint of Hungarian participation in CEMA institutions, and it would be unnecessary to issue for the enterprises special regulations governing ruble-denominated trade. Only the trading house would maintain a special current account with the state budget, and only for this area would it be necessary to devise fiscal regulations that would somehow give the enterprise an incentive to reduce the net balance of subsidies and taxes.

Against these advantages that are mostly of a theoretical nature, however, serious problems may be brought up. On the one hand, especially in the case of countries that are of key importance, a huge organization would be needed to maintain a comprehensive overview of conditions, which today not even the many authorities are able to gain; and this harbors the danger of an unwieldy and excessively bureaucratic apparatus. On the other hand, it is far from clear on what this trading house would base the formulation of the Hungarian standpoint regarding the given country or group of countries. By definition, the trading house could not rely on the requirements of the domestic enterprises; while through it the central government would be simulating for the enterprises the "externally given" conditions. And as the other side of the same coin, this concept renounces the bargaining power that the Hungarian enterprise would have in forming the structure and prices. And, briefly stated, this would lead to the acceleration of the structural and price changes that would be undesirable from Hungary's point of view. A further problem is that, in this case, Hungary's position on urgently changing the CEMA mechanism would be undermined, while in the final outcome the establishment of these trading houses would mean abandoning the relations which the enterprises have established with socialist countries, and which by now have become "institutionalized."

of Obligations

A solution is conceivable under which authority to agree on the terms of delivery devolves from the state administration to the enterprises. In other words, an institutional possibility is created to cancel a deal if the enterprises are unable to agree on the specific terms of delivery.

The way this could be achieved would be through domestic financial regulation based on setting and modifying the exchange rate between the transferable ruble and the forint. With due consideration also for the fact that the feasibility of regulating ruble-denominated trade through the exchange rate will always remain limited, and that fine-tuning in the short term cannot be expected of the exchange rate at all.

On the basis of such regulation—or more accurately, on the basis that a kind of market-conforming system of regulation can be crafted, not for individual deals, but

for a specified class of deals and for the enterprises participating in them—various organizational solutions can be worked out. One such solution is that, starting out from the present organization of foreign trade, the Hungarian enterprises engaged in similar or closely related activities, and interested in trading with CEMA, would establish joint enterprises to manage and coordinate their CEMA trade. The organization could be designed on the basis of a detailed analysis of the export and import structures, and of the quota system. Depending on its activity, a Hungarian enterprise could also participate in several such joint enterprises simultaneously.

The joint enterprise would represent its members in trade negotiations. Naturally, the state organs' participation would still remain indispensable. But their main task, besides issuing the regulations for the provenance and destination in question, would be to gain the trading partners' acceptance of the outlined enterprise behavior. As a rule, the state organs would adopt standpoints upon which they have agreed with the joint enterprises; in other words, they would mostly be promoting and coordinating the processes.

The necessarily direct-exchange or barter nature of CEMA trade could fit into the outlined organization as follows: In those cases where the exchange remains within the scope of the joint enterprise's activity, the problem can be handled without any difficulty. Up to a certain limit, the joint enterprises in different fields of economic activity could cooperate to meet a partner's offset and counterdelivery requirements, or they could maintain close relations with flexible Hungarian trading houses, the same way that Western exporters handle the socialist countries' countertrade requirements.

The above principles, of course, cannot apply to many areas. The most expedient solution in such cases would be to establish a special enterprise (according to the logic of the trading house for a given provenance and destination) that would have different objectives and operate under different conditions, inward and outward respectively.

An indisputable advantage of the outlined concept is that trade with CEMA countries would be based more firmly on business considerations; or rather it would rely on increased activity in the CEMA market, but at the same time would be free of the constraints existing in the individual partner countries or within CEMA as a whole.

However, serious reservations can be lined up also in this case. Some of the problems are related to the system of regulation, and within it primarily to the exchange rate's expected role and to the CEMA prices' reflection in the enterprises' revenues. The new system of regulation would be able to handle only partially tensions of this kind, for they would not cease but would merely be shifted to within the joint enterprises. From the viewpoint of organization it is not clear on what basis the macroeconomic interests would be represented in the

bilateral negotiations, nor what changes the implementation of such a Hungarian measure would require in the partners' systems of organization.

Gradual Liberalization

It is likewise possible to outline a scheme that, based on the increased assertion of the considerations of effectiveness, would operate a mixed system of regulation for ruble-denominated trade. This system of regulation would necessarily be accompanied by a mixed system of organization in which the role of trade, freed of obligations assumed between governments, would gradually grow (cf Ivan Szegvari's article in FIGYELO, No 38, 1988). Such a system would rest on two pillars: a decentralized sphere that would expand in the long term, and a gradually narrowing centralized sphere.

The decentralized sphere could employ various types of schemes that already exist, can be separated also technically from the quotas based on bilateral agreements, are able to handle the net-balance problem on their own, are free of subsidies, and are partially closed but also point toward openness. (It should be noted that this is not in conflict with the proposals discussed earlier, with the exception of the one that calls for clearing in convertible currency.)

But the essential difference in this concept is that trade deals within the decentralized sphere would cease to be supplementary in their nature, and main emphasis would shift specifically on the expansion of such trade. And not merely within the framework of cooperation based on a zero net balance. This presupposes abolishing prompt cash terms within the decentralized sphere. But this in itself is not enough: it is also necessary to make clearing possible either in national currencies, or in transferable rubles but without any state guaranty of exchanging the transferable rubles. Especially in the latter case also an organizational solution would be necessary—a money market; or the establishment of enterprises for the various provenances and destination, but which would serve mainly domestic customers and would be closely linked to the banking system—where exporters would be able to sell their earned transferable rubles to potential importers.

Within the decentralized sphere, if the discussed framework's conditions are in place, also the shaping of the trade relations' system of organization can actually be left to the enterprises. Although in this case the trading firms, which perhaps are also more closely linked to the commercial banks, can be expected to play a greater role. Indeed, as under this system the finding of stocks of exportable commodities will require serious commercial (as opposed to state administrative) work and a thorough knowledge of the local markets, the formation is conceivable of mixed trading enterprises whose specific purpose would be the development of decentralized trade relations.

Functional Organization

Quotas within the centralized sphere would continue to be set on the basis of obligations assumed between governments, but under the general conditions of a mechanism different from the present one. At the same time, there would be no significant changes in foreign trade's enterprise structure.

In sum, such a system's indisputable advantage from the viewpoint of organization is that it is gradual, and its progress depends on how the conditions for the present system's transformation develop: it gradually narrows the existing organizational sphere's role, in favor of new organizational solutions that emerge on the basis of the enterprises' interests, and which will be functional also in the long term.

Leaving aside for the time being the question of the progress of reform in Hungary, we may regard as a serious shortcoming of this system the fact that it perceives the decentralized sphere's expansion as a function of also the reform processes in the partner countries. For this very reason it is particularly important that the decentralized sphere's relative role be strengthened also through the purposeful narrowing of the centralized sphere, in addition to the decentralized sphere's own expansion.

Over and above the basic standpoints, of course, further proposals for specific organizational solutions can also be considered. But it should be emphasized once again that autonomous concepts cannot be elaborated for the system of organization, because that is a function of the general treatment of ruble-denominated trade. In spite of this, it is by no means indifferent toward what kind of organizational forms we are moving: an established organization may enhance to a large extent, but in a given case may also retard, the realization of the CEMA-related short- and long-term objectives that have been formulated within the reform's framework.

Right To Know of Cancer-Causing Substances at Workplace

25000189a Budapest NEPSZAVA in Hungarian
6 Apr 89 p 1, 7

[Article by Erzsebet Nogradi Toth: "Chemical Industry Prepares Survey of Workers Dealing With Carcinogenic Substances; 24,000 People in Endangered Posts; The Threat Must Not Be Ignored; Shorter Working Hours, Fewer Shifts; Constant Medical Supervision Required"]

[Text] "Four percent of all deaths due to malicious tuberculated illnesses are the result of being exposed to chemicals at the workplace or time spent in hazardous environments. In Hungary this means about 1,100-1,200 deaths each year, which is significant from the point of view of public health."

This passage is found in Dr Gyorgy Ungvary's report, which was based on the health and prevention program of the Workplace Environment subcommittee of the Hungarian Academy of Sciences. Probably many people are surprised to see this expression in print; after all, during the past decades we all have come to accept it that there are certain things about which we all know, but about which we do not talk, because we cannot. Now, due to our public life and social policies that demand great press publicity, there are more and more things accessible to the information specialist, and our modernizing mass communication organs can pass more and more things on to the readers.

Still, not everyone has such an unequivocal understanding of glasnost yet. This was revealed (to be sure, through the remarks of only one speaker) at Wednesday's meeting of the presidium of Chemical Workers' Trade Union. Fortunately, the majority sided with openness. This branch trade union, which we can justifiably call one of the most courageous one, examined the situation of those who work with hazardous and harmful substances. As we learned from the union's first secretary, Lajos Focze, their intention is to improve working conditions, and thus the quality of life, for the more than 120,000 employees of the chemical industry.

We have reported it on these pages when this trade union (living up to its fundamental responsibility in protecting the workers' interests, in which protecting their health is of primary importance) examined the working conditions in aluminum foundries; and recently it petitioned the President of the government on behalf of those working with explosives.

The Trade Union of Chemical Workers considers protecting people's health its primary duty. Thanks to the organized activities of enterprises, there is a steady decline in the number of workplaces where one encounters production factors that are harmful to one's health. In spite of this improvement, however, there are still 24,000 of the 120,000 workers in the chemical industry who are exposed to various hazardous and harmful production factors.

There may be people who feel that we must not talk about the hazards and carcinogens. This is mistaken thinking, because, for one thing, decree No 12/1976 of the Presidential Council makes it compulsory for people working with carcinogenic material to be informed and prescribes the gradual replacement of such materials. At the same time, how could a worker become knowledgeable about potential hazards if information is kept from him? How can he prepare for potential harm if he does not know what he may expect?

Personally, I feel that it is the fundamental human right of every individual to know the conditions under which he earns his daily bread. Furthermore, if he feels that suitable protective means and equipment are missing, he should have the right to refuse working.

It appears that leaders of the chemical workers' trade union are willing to undertake informing the workers. They do not just want to make empty promises to those who work under hazardous conditions, but actually want to do something to protect them. There are many enterprises where technological development and investment projects are nothing more than ideas, because the shrinking of financial base brought with it a decrease in the amount of money available for protective measures. However, much can be accomplished by organizing work in a different manner.

Experts have demonstrated that much harm can be prevented by reducing the length of exposure and by reducing the length or number of shifts. Relying on the National Institute of Occupational and Work Safety, the network of plant physicians and, naturally, the national and economic organizations, the chemical workers' union wants to map out the workplaces where the workers may be exposed to carcinogenic material. Based on this information, the union can later determine the extent and quantity of allowances workers should receive in order to perform their tasks. These could include the reduction of workhours, early retirement, the installation of various protective equipment, or state- or enterprise-financed retraining after so many shifts. As early as this year, the National Institute of Occupational and Work Safety will start registering workers who work with carcinogens. Every worker who may be potentially exposed will be included in this list, and their health will be continuously monitored with the assistance of plant physicians. Where the degree of harm calls for it, they will take immediate action; if necessary, they will reassign the worker to another job. Such rapid assistance, constant medical monitoring and calling attention to hazardous situations will bring a sense of safety, rather than panic, for the workers. Those who claim that the workers have no idea what they are working with are wrong; workers suspect the danger, even if they have no certain knowledge, and such uncertainty can be psychologically very damaging.

Listening to a cardiologist professor's lecture, I noticed something: He considered it peculiar that people belittle heart attacks, even brag about them, as if they did not realize the danger involved. As for cancer-related diseases, sometimes even physicians do not tell their patients about them. Somehow, when it comes to cancer, we are still bashful.

There is the question, what will workers do, once they are told by medical personnel that they have cancer? Perhaps, as an occupational safety specialist said at the leadership meeting of the chemical workers' union, the atmosphere may become overheated. That may prove to be the impetus for changes. There is something else. Perhaps we reach the point when foreign visitors to our country will be shocked that we do not understand his question: "How does this or that workplace protect its

workers from hazardous substances?" Perhaps. Another possibility is that there will be a time when trade unions will advise their members not to work in certain occupations.

Local Party Organ Active in Hazardous Waste Abatement

*25000189b Budapest NEPSZÁVA in Hungarian
6 Apr 89 p 9*

[Unattributed article: "Position Against Environmental Pollution in Kecskemet"]

[Text] During its last meeting, the Kecskemet City Committee of the MSZMP [Hungarian Socialist Workers' Party] took a stand concerning the hazardous waste that is stored on the premises of the local Hand Tool Factory.

The burning byproduct containing cyanide and barium caused great uproar among the local population and party membership.

In order to eliminate the hazardous situation, the party committee recommends the following steps to be taken: The enterprise must immediately discontinue the process which creates the waste in question, ensure the secure guarding of the waste, eliminate storing of the waste in open areas and immediately build and start using a suitable facility in which to store the waste. The city should establish a committee of experts, at the enterprise's expense, and its members should, within a professionally acceptable period of time, make proposals as to the future disposition of the waste.

The position statement was forwarded to the relevant state organs (the Council of Ministers, the Ministries of Environmental Protection and Water Management, the county and city councils), as well as the county party committee and the MSZMP CC [Central Committee], asking for their cooperation. The members have also asked their representatives to make inquiries in the National Assembly in order to solve the problem.

At its next meeting, the city's party committee will return to the issue of hazardous waste, and if its members feel that no suitable steps have been taken, than it will organize mass demonstrations and utilize other means of mobilization in order to have its proposals implemented.

POLAND

Growth in Foreign Economic Cooperation With Developing Countries

*26000460c Warsaw TRYBUNA LUDU in Polish
14 Mar 89 p 7*

[PAP Article: "Polish Cooperation With Developing Countries"]

[Text] At a session of the UNCTAD, the Polish delegate, Dr Krzysztof Jakubiszyn, described the place of the developing countries in Polish foreign economic cooperation as a whole. In 1988, Poland's trade turnovers with this group of countries rose 17 percent.

Our export offer covers such fields critical to developing countries as the power industry, agriculture and the foodstuffs industry, farm machines, water management, and fishing. But Poland also exports some traditional raw materials, e.g., coal to Brazil, India, Iran and Algeria, and sulfur to Morocco, Brazil, Jordan and India.

The share of industrial products in imports from developing countries is growing systematically (in the case of India, for example, it is already one-third of the value of imports). This is due to our striving for greater diversification of imports from this area.

Du Pont Consortium Turnover, Import Interests Described

26000455b Warsaw RZECZPOSPOLITA in Polish
21 Mar 89 pp 1-2

[Report by Andrzej Litewski]

[Text] Partnership and cooperation—that, in short, is what the activities of the Du Pont consortium in Poland can be called. This consortium, as reported by Karl-Heinz Maenz, director of the socialist-countries office, at a press conference, is one of the 12 largest world industrial corporations, involved mainly in the production of synthetic fibers, polymers, chemicals for agriculture and industry, consumer and industrial products, biomedical products, the extraction and processing of crude oil and coal, and the production of coke.

Contacts with Poland go back 60 years. Approximately 250 industrial plants in our country use Du Pont plastics, polymers and foil. They replace steel, metal alloys and other traditional materials. Turnovers with Poland last year made up 10 percent of total turnovers with socialist countries. Poland was second, after the USSR, in volume of trade. But we are not only selling, said director Maenz, we are also buying. In 1988 our import from Poland exceeded export by about \$30 million, and we hope that this figure in some degree helped to improve the balance in Poland's foreign trade. We are also ready to greatly increase our purchases of high standard goods in Poland.

At present, our purchases primarily concentrate on "lacr" fiber, made in thicknesses of approximately 0.1 mm. It is used mainly in the production of linens, hosiery and clothing. Imported through the foreign-trade office TEXTILIMPEX, it is also used by the Pabianice Bandage Materials Factory in the production of high-quality elastic bandages. The Gorzow Stilon Factories are interested in buying the technology for producing the coating on video tapes, while FSO (automobile factory) and FSM (compact automobile factory) will use special Du Pont plastics in the production of new automobiles. Right now the firm's experts are looking into the possibility of purchasing the license for one of the Polish medicines.

The corporation's success is due in large measure to its very large expenditures for research and development. The firm has allocated \$2.5 billion for this purpose this year. Six thousand scientists are employed in the firm's research laboratories. In 1987, one of them, Prof Charles Pedersen, was a corecipient of the Nobel prize.

It should be added that the company was founded in 1802 by a French immigrant, Du Pont de Nemours, whose father had a personal connection with Poland. He came here in 1772 as secretary of the National Education Commission. Today a memorial plaque in Wawel Castle tells of his participation in the reform of the Polish system of education. The Du Pont family has also contributed to the restoration of the baroque interior of the Royal Chapel in Wawel Castle.

Glassworks Contract With Renault; Plans for Yugoslav, Japanese Ties

26000460e Warsaw RZECZPOSPOLITA in Polish
20 Mar 89 p 2

[PAP Article: "Windshields From Sandomierz for Renault"]

[Text] The Sandomierz glassworks has entered into cooperation with the French firm Renault. It has already sent the first sample batch of adhesive-bonded windshields to that factory. If they pass the test, the contract provides for shipment of 40,000 such windshields to France this year.

A similar number of windshields will be sent to Yugoslavia this year, to be used in the popular Zastava and Yugo automobiles.

The glassworks has great hopes for export to Japan. Three Japanese firms are interested in using the impressive bay in Sandomierz, on which construction for the production of glass by the "float" method was halted in 1981. Negotiations on setting up a foreign-capital company are in the final stages. The final binding decisions in this matter are expected after 10 April, when representatives of the Japanese firms Atahi, Tojomenka and IFC will come to Sandomierz.

It should be added that the startup of the production of glass in the above-mentioned bay (27 million square meters annually) will increase our production of structural glass by almost 50 percent.

POLMOT Proposes Special Vehicle Coproduction With China

26000460f Warsaw TRYBUNA LUDU in Polish
18-19 Mar 89 p 9

[Article by Krystyna Szelestowska: "In the Direction of Joint Enterprises"]

[Text] Last Friday in Peking a 2-day Polish-Chinese seminar was concluded in which representatives of the automotive industry and foreign trade of both countries participated.

The event, arranged by the Chinese Advertising Enterprise and POLMOT, attracted a great deal of interest and the large hall of the Ritan Hotel was filled to capacity. Several representatives of Chinese ministries, both users and producers, which import and operate vehicles produced in our country, came to meet their Polish professional colleagues. The seminar was aimed at acquainting our partners with the possibilities of expanding cooperation in the automotive field by newer forms, such as coproduction and specialized production.

The six-person delegation, headed by the general director of POLMOT, Waldemar Grzywacz, and the directors of the largest truck, bus and special-vehicle factories, presented a very concrete offer based on 30 years of experience in cooperation and prepared from the standpoint of the needs of the Chinese market, which was already very familiar to our exporters. The subject of the discussion was the possibility of undertaking joint production of special vehicles, such as scavenger trucks, garbage trucks, refrigeration trucks, tractor trailers, and vehicles for fast unloading of freight cars and equipping of service stations, which the Chinese must expand due to the development of road transport and motorization. An offer was submitted for the delivery of new types of buses, both luxury buses for tourism and long-distance transportation, as well as buses for hauling workers to their jobs. There is a possibility that buses will be produced jointly in China.

At present, 10,000 Polish trucks and buses, 50,000 passenger cars (Polonez and Fiat), and 16,500 popular mini-Fiats, are running on Chinese roads. Although the seminar was given over to cooperation in the field of trucks and buses, it is possible that a Polonez assembly plant will be set up in China.

First Polish-Czech Joint Enterprise Focuses on Investment Construction

26000460b Warsaw RZECZPOSPOLITA in Polish
15 Mar 89 p 1

[Article by (z): "A Good Beginning for Pragapol"]

[Text] The first joint enterprise in the history of Polish-Czechoslovak relations was formed. It is called Pragapol Joint Construction Enterprise and was established by the Krakow Chemobudowa and the Prague Konstruktiv.

The purpose of the new enterprise is the execution of investment construction together with modernization, reconstruction and repair work in Prague, the execution of specialty jobs in Poland, and the execution of construction work in the CSSR and on third markets. Both founding firms divided the shares equally, 50 percent each.

As learned by RZECZPOSPOLITA's reporter, work is under way on forming several more joint enterprises in various sectors in Poland and the CSSR.

Issues Raised by Dissolution of Association of State Enterprises

26000455c Warsaw RZECZPOSPOLITA in Polish
7 Mar 89 p 1

[Article by (DE): "First Fitting for the New Situation"]

[Text] Basically, the fate of most of the intermediate levels was determined in advance. The decisions on dissolution of associations had already been made. The law passed by the Sejm on 24 February, which dealt with some of the conditions for the consolidation of the national economy and with a change of certain laws, contained an explicitly formulated provision. As we know, in accordance with Art 9, associations of state enterprises will be dissolved within 3 months of the date the law goes into force.

Thus, in the next few months the associations should definitely vanish from our economy. But at the same time, this article provides that enterprises which wish to function jointly, will be able to do so but only in the form of a company; that is, in the form of a legal entity which conducts normal economic activity, with all of the risks that this entails. And the result of its activity must be profit. The company should be registered in court, according to normal procedures, and—which is interesting—the position of the antimonopoly organ is required. Its pronouncement that the company does not violate the regulations on opposition to monopolistic practices in the national economy, is a condition for obtaining the consent of the court for the registration.

At this time, everyone is waiting for the official publication of the law. From the moment it appears in print the clock will begin to run and the associations will have 90 days in which to move out their desks.

In many associations the directors who make up the councils are beginning to meet. Proposals are being made as to what to do next. They are discussing the new form of enterprise cooperation.

The council of the Predom association met late last week. The future of the association and the forms of further close cooperation between enterprises were discussed. Several solutions were proposed. The formation of two or three companies was considered. But a final decision on the matter was postponed until the first half of May, when the date for the "closing out" of the associations will be known. For the time being, a liquidator was designated—the present managing director of the association. It was also determined that Predom, will not be reborn in its present composition, and the "personnel makeup" of possible companies will be different than in the present association. At present, Predom affiliates 46 enterprises, including 24 producers which use Predom in their name. The rest are research and development centers and sales enterprises. Six different sectors are represented.

The same is happening in the Beer Industry Association, which now has about 30 production plants. "We do not want to change our name only," says director Aleksander Stepkowski, "we are thinking about organizing something really different, completely new and useful, which would allow us to make use of our present knowledge and the experience of our people."

The discussion begun at the association's council meeting is still going on. Three possibilities are being considered: a company, a union, and a self-financing enterprise conducting economic activity. Since last year the association has been exporting and importing the products of its own enterprises cheaper and, it seems, better than the foreign trade offices are doing. Perhaps just this kind of an enterprise is needed, one which will continue this activity.

The final decision will be made within the next few days. There is much to say in favor of an enterprise, but a draft statute for a company and documents for a union have also been prepared.

But there are associations where nothing is happening right now. They are simply waiting. It has been decided in these cases that without an official "opening," that is, until the law is published, there is nothing to settle. That is how it is with the Mechanized Equipment Producers Association and the Garment Producers Association, where no preparatory steps are being taken. The assumption is that the 3 months provided by the law is more than enough time to take care of organizational matters and legal formalities.

But there are also associations which did not need official decisions to proceed. Where the administrative system of cooperation was found to be insufficiently effective and too costly, even last year and at the beginning of this year, many associations converted themselves into companies.

For example, last September the construction enterprises and producers of building equipment decided to dissolve their association. Efforts were begun to set up a company. In November a new limited liability industrial company, Zremb, was registered in the Warsaw court. It has 49 shareholders, including 42 members of the former association. In addition to state enterprises, private producers also joined the company.

Plants outside the construction branch also became interested in setting up companies, e.g., the Wine Producing Plant in Warka. The company's capital amounts to 0.5 billion zlotys and is made up of shares of 1 million zlotys each. Zremb offers supply services in return for reimbursement, produces its own machines and sells directly to foreign customers.

The rules for dividing up dividends have not yet been defined. When there is something to divide the shareholders will decide who gets how much, because simply

owning a share does not contribute to the development of the company and the amount of the profit. And one more characteristic feature—the company's board is made up of two persons.

As of 1 February, instead of the Refrigeration Industry Association there is a limited liability company. It was established by 17 shareholders—refrigeration enterprises which were members of the former association, plus IGLOOPOL. The shares sold total 109 million zlotys. Mieczyslaw Soczowka, former director of the association, was elected head of the company by secret balloting.

In the past, the enterprises had to maintain the association offices out of their profits. Now they expect to receive dividends. To obtain an income, the company intends to conduct economic activity. This will include services in the form of modernization and repair planning and documentation. And also trade. The company plans to organize its own shops, possibly jointly with other companies, including those in the meat industry.

Internal Trade Enterprises Association Views Restructuring Options

*26000455d Warsaw RZECZPOSPOLITA in Polish
7 Mar 89 p 3*

[Article by (an): "Company Instead of Association"]

[Text] Associations, even the voluntary ones, turned out to be structures which did not function well in a reformed economy. That is why the members of some of them, taking advantage of the new laws and possibilities available to them, are deciding to convert them into companies.

That is the decision made recently by the members of the Domestic Trade Enterprises Association. It was made up of 75 firms, mainly voivodship enterprises selling industrial articles, plus IGLOOPOL and several producers. The company's operating goals are now being agreed upon and the future shareholders are discussing the founding charter of a limited liability company. It is expected that it will be registered late in March or early in April.

Marek Zabrzski, director of the association, who intends to run, among other candidates, for the position of director of the company, believes that such a change should be to the good of everyone involved. The present assets of the association (and they are considerable since it is made of some large warehousing facilities) will be divided among the present members proportionally to the amount of their outlay into this investment. They will use this as their input into the company. The cash participation amounts to 3 million zlotys, but already many future shareholders are pledging more.

In the past, association members paid for its operations out of the profits of their firms. Under the new arrangement, they will receive dividends out of the profits of the company. The functioning should also be more efficient and flexible. In the association, every decision made by the director required the approval of the council, which is made up of 150 persons from the entire country. In the company, the director's decision will be approved by a supervisory council made up of a few persons.

But the main effect of the planned transformations should be the development of large-scale economic activity, and concretely, an almost twofold increase in sales of goods. This is possible primarily due to more imports, by way of commodity exchange. These plans are very realistic because many foreign trade offices have expressed a desire to join the company.

The plans of the future company also include the acceptance of foreign shareholders with hard currency capital. Under current law this is not possible, but it is hoped that it soon will be because the law is being modified to permit this.

The company, if the shareholders so decide, will also fulfill the function of enterprise representation. Furthermore, it wants to establish its own foreign trade office. At the same time, a considerable reduction in office administration is planned in the performance of these tasks.

Polish Marketing Society Supports Dynamic Directors

26000460g Warsaw RZECZPOSPOLITA in Polish
9 Mar 89 p 2

[PAP Article: "Growth in Interest in Marketing"]

[Text] Marketing is an economic activity which facilitates the study of demand and the manufacture of goods and services based on identification of the needs and tastes of the buyers. In highly competitive economies, additional methods and techniques are proposed which are intended to influence the customers and persuade them to accept the offers made to them. It is not surprising, therefore, that a proposal of marketing services, considering Polish conditions—the unbalanced market and the primacy of the producer over the buyer—seems to be an activity which belongs to the hobby or predictions-for-the-future category.

Those are the words used on 8 March by one of the members of the Polish Marketing Society, Prof Aleksander Krzyzminski, during a meeting of the heads of the society with deputy premier Janusz Patorski. But it appears that experience shows otherwise. There are already "submarkets" in Poland on which demand has been balanced with supply.

Janusz Patorski underscored the possibility of a growth in interest in marketing as the economy restructures itself. Dynamic, up-and-coming directors need it the

most. The law passed 2 weeks ago dealing with some conditions for the consolidation of the economy, will help these directors, making it possible for them to introduce economic experiments.

IGLOOPOL Offer To Develop Foodstuffs Industry in Free-Tariff Zone

26000455a Warsaw TRYBUNA LUDU in Polish
14 Mar 89 p 2

[Text] Edward Brzostowski, director general of IGLOOPOL, the well-known agri-industrial combine, made the managers of Szczecin Voivodship an extremely attractive and generous investment offer for the future Szczecin-Swinoujscie free-tariff zone. The firm wants to build a large foodstuffs complex, with the domestic market and export in mind.

IGLOOPOL proposed the construction of factories and production lines, to complement each other, on Mienska island in the port of Szczecin. These will be the largest fats-industry factories in the country producing edible fats and margarine, based on the 100,000-ton harvests of rape in Western Silesia and the importation of soya.

Next to them will be a fish-processing plant and a fish-meal factory. Fish meal and valuable wastes from the fats plants will be the main raw materials for the production of concentrated feed for agriculture.

IGLOOPOL also plans large-scale participation in the development of warehouse and storage facilities within the tariff-zone area. Among other things, is the construction of a cold-storage facility for imported southern fruits and for Polish vegetables and fruits being exported by this route to Scandinavia.

IGLOOPOL has already obtained the consent of the Szczecin-Swinoujscie Free-Tariff Zone stock company for this investment and, in connection with this, wants to open up a branch office in Szczecin this year.

Compression Station Opens, Adds to Needed Supply of Natural Gas

26000460d Warsaw TRYBUNA LUDU in Polish
10 Mar 89 pp 1-2

[Article by Ewa Wieckowska: "Natural Gas Supplies to Increase"]

[Text] On Thursday, 9 March 1989, in Holowczyce (Biala Podlaska Voivodship), a natural gas compression station was turned over for use. It constitutes an important link in the Kobryn-Brzesc-Warszawa gas pipeline which was put into operation in 1985. It will make it possible to transmit 5 billion cubic meters of gas each year to Poland in the near future.

Up to now, 1.1 billion cubic meters flowed through it to Poland. This caused a shortage of suitable equipment to receive the gas. The flow capacity of the gas pipeline can be increased by installing an entire system of compressor stations and bifurcations. But the cost of expansion is high, therefore the decisions to begin this work have been delayed. Meanwhile, in 1987 a serious shortage of gas occurred. The Soviets proposed to help us quickly build a container gas compression station consisting of compressors powered by aircraft-type gas turbines.

The construction of the facility, valued at 4 billion zlotys, took only 4 months. The principle investor is the Polish Oil Mining and Gas Engineering Enterprise (POMGEE) and the general contractor is the Gazobudowa Gas Facilities Construction Plant in Zabrze.

The station in Holowczyce will facilitate a large increase in the delivery of gas. Because of it, we will be able to receive over 6 million cubic meters of gas daily. This will double the amount of fuel supplied in this way. The station is easy to service and does not pollute the environment.

Zdzislaw Miedziarek, deputy minister in the Ministry for Industry, present in Holowczyce, spoke with praise about the speed of the work performed by the Polish and Soviet experts. The undertaking required the cooperation of as many as 17 construction-assembly plants, therefore this was also a difficult test of work organization.

For the populace of the Biala Podlaska region, in which the station is located, this means a cultural breakthrough, said Mieczyslaw Kaczmarczyk, POMGEE director. Thanks to the station, gas will be available in every home.

The Polish experts who distinguished themselves during the construction received high Polish and Soviet state, ministry and regional awards.

Postal Bank Proposed To Better Serve Rural Areas

26000460a Warsaw *RZECZPOSPOLITA* in Polish
11-12 Mar 89 p 2

[Article by mk: "Postal Bank"]

[Text] Many new banks are being established. What is the sense, therefore, in writing about another one? It seems that the idea of opening up a postal bank is worth writing about. The main office of the Polish Posts, Telegraphs and Telephones (PPTT) came out with this initiative. It will also be one of the shareholders of the new bank, which will be directed primarily at meeting the needs of the rural residents.

Cooperative banks have too few branches to service the rural areas efficiently, but there are post offices in almost every village. The management of PPTT is thinking

about making at least some of its 8,000 offices available to a postal bank. This means that postal services and bank services will be provided in a single place. The experience of PPTT, reports the director of the office of economics and market research in the PPTT main office, will help in training cashiers, convoying cash and teaching the skills necessary for the efficient functioning of a postal bank.

On the other hand, the post office can also benefit from the bank. The money obtained for making the space available and the ability to obtain credits for the expansion of communication are the main reasons to initiate the establishment of a postal bank on the principles of a stock company. Documentation is now being prepared and the first candidates for shares in the company are beginning to apply. It is expected that by the end of the year we will be able to deposit our savings in the new postal bank. Perhaps the adjective "new" is not the best choice, because 70 years ago, under the name "Postal Savings Bank," the predecessor to today's Universal Savings Bank (PKO) was established.

ROMANIA

Foreign Trade Units Reorganized by Decree

27000044 Bucharest *BULETINUL OFICIAL* in
Romanian Part I No 65, 19 Dec 88 pp 1-4

[Decree of the State Council on Some Measures for Improving the Organization of the Foreign Trade Units]

[Text]

The State Council of the Socialist Republic of Romania decrees:

Article 1. On the date of 15 December 1988, the foreign trade units are reorganized under the direct subordination of the ministries, the other central bodies, or the industrial centrals, in accordance with Appendixes 1 and 1A.

The foreign trade units under the direct subordination of the ministries, the other central bodies, or the industrial centrals are also subordinate to the Ministry of Foreign Trade and International Economic Cooperation.

Article 2. The maximum number of personnel in the foreign trade units, in relation to the volume of activity for 1989, for the foreign trade activity on the socialist countries and convertible-currency accounts is given in Appendix 2.1 [not reproduced].¹

Article 3. The model organizational structure of the foreign trade enterprises is given in Appendix 3.1 [not reproduced].¹

Article 4. The pay fund for each foreign trade unit is established, in accordance with the law, separately for socialist countries and convertible-currency accounts and joint activities.

The worker personnel in the foreign trade units who work on socialist-country accounts are paid on a basis of quotas set in lei, per 1,000 rubles, only from the pay fund connected with this account.

The worker personnel in the foreign trade units who work on convertible-currency accounts are paid on a basis of quotas set in lei, per \$1,000, only from the pay fund connected with this account.

The director, the chief accountant, and the personnel for joint activities are paid on the basis of the average results for the two accounts.

Article 5. The object of activity of the foreign trade units is established by means of a decree of the State Council.

Article 6. The foreign trade enterprises given in Appendix 1 are organized on the basis of worker self-management and economic, financial, and valuta self-administration, with a juridical personality, and operate in accordance with the legal provisions on the organization and management of the state socialist units and with the structural standards for foreign trade activity approved by means of State Council Decree No 162/1973 and have the grade of organization given in the same appendix.

Article 7. The foreign trade units given in Appendix 4 are dissolved, and their activity is taken over by the units given in the same appendix.

Article 8. The assets and liabilities established on the basis of the balance sheet concluded on the date of 15 December 1988, together with the economic, financial,

and valuta plan indicators and the contracts concluded, pass from the units dissolved in accordance with Article 7 to the units that take over their activity.

The personnel who move to other units are considered transferred in the interest of service.

Article 9. The personnel transferred in the interest of service or moved in the same unit to positions with lower pay levels and the worker personnel becoming available as a result of the application of the provisions of the present decree have the rights given in Article 21 of State Council Decree No 162/1973 on the Establishment of the Uniform Structural Standards for the Economic Units.

Article 10. The provisions of State Council Decree No 367/1980 on Some Measures for the Rational Utilization of the Personnel in the Socialist Units do not apply in December 1988 and in 1989 to the posts in the foreign trade enterprises and to the posts in the units to and from which personnel are transferred as a result of the application of the provisions of the present decree.

Article 11. Within 45 days after the date of the present decree, the State Planning Committee and the Ministry of Finance will propose the modification of the economic and financial plan indicators in the sole national plan for economic and social development and in the volume and structure of the state budget for December 1988 and for 1989 as a result of the application of the provisions of the present decree.

Article 12. Appendixes 1, 1A, and 2-4 are an integral part of the present decree.

Nicolae Ceausescu
President of the Socialist Republic of Romania
Bucharest, 17 December 1988
No 331

Footnotes

1. The appendix is being transmitted to the institutions involved.

Appendix 1. List of the Foreign Trade Enterprises [ICE's] That Are Reorganized Under the Direct Subordination of the Ministries, Other Central Bodies, or the Industrial Centrals and Their Grade of Organization

Name of Unit	Subordination	Grade of Organization
1. Bucharest Industrialexport-Import I.C.E. [foreign trade enterprise]	Ministry of Machine Building Industry	Special
2. Bucharest Uzinexport-Import I.C.E.	Ministry of Machine Building Industry	Special
3. Bucharest Tehnoimport-Import I.C.E.	Ministry of the Machine Building Industry	I
4. Bucharest Mecanoexport-Import I.C.E.	Industrial Central for Railroad Cars and Rolling Stock	Special
5. Pitesti Auto-Dacia I.C.E.	Pitesti-Colibasi Industrial Central for Automobiles	I
6. Brasov Universal-Autotractor I.C.E.	Brasov Industrial Central for Tractors, Motor Vehicles, and Agricultural Machines	Special
7. Bucharest Electroexport-Import I.C.E.	Ministry of the Electrotechnical Industry	Special
8. Bucharest Electronum I.C.E.	Ministry of the Electrotechnical Industry	Special

Appendix 1. List of the Foreign Trade Enterprises [ICE's] That Are Reorganized Under the Direct Subordination of the Ministries, Other Central Bodies, or the Industrial Centrals and Their Grade of Organization

Name of Unit	Subordination	Grade of Organization
9. Bucharest Masinexport-Import I.C.E.	Bucharest Industrial Central for Machine-Tools	Special
10. Bucharest Metalexport-Import I.C.E.	Ministry of the Metallurgical Industry	Special
11. Bucharest Chimica I.C.E.	Ministry of the Chemical and Petrochemical Industry	Special
12. Bucharest Danubiana I.C.E.	Ministry of the Chemical and Petrochemical Industry	I
13. Bucharest Petrolexport-Import I.C.E.	Ministry of the Chemical and Petrochemical Industry	I
14. Bucharest Romanoexport I.C.E.	Ministry of Light Industry	Special
15. Bucharest Confex I.C.E.	Ministry of Light Industry	Special
16. Bucharest Arpimex I.C.E.	Bucharest Central for Leather Goods, Rubber, and Footwear Industry	Special
17. Bucharest Tehnoforestexport I.C.E. with the Radauti, Arad, Construction Materials, and Galati agencies	Ministry of Wood Industry and Construction Materials	Special
18. Bucharest Vitrocim-Forexim I.C.E.	Ministry of Wood Industry and Construction Materials	Special
19. Bucharest Prodexport I.C.E.	Ministry of the Food Industry	Special
20. Bucharest Fructexport-Agroexport I.C.E.	Ministry of Agriculture	Special
21. Bucharest Navlomar I.C.E. with agencies in Braila, Constanta, Tulcea, Giurgiu, and Orsova	Ministry of Transportation and Telecommunications	I
22. Sulina Free Port Administration	—Department of Ship Transportation Ministry of Transportation and Telecommunications	I
23. Bucharest Mineralimport-Export I.C.E.	—Department of Ship Transportation Ministry of Foreign Trade and International Economic Cooperation	I
24. Bucharest Terra I.C.E.	Ministry of Foreign Trade and International Economic Cooperation	I
25. Bucharest Icecoop-Ilexim I.C.E.	Ministry of Foreign Trade and International Economic Cooperation	I
26. Bucharest Romtrans I.C.E. with agencies in Bucharest, Episcopia Bihorulul, Curtici, Galati, Iasi, Constanta, Braila, Giurgiu, and Valea lui Mihai	Ministry of Foreign Trade and International	I
27. Bucharest Dunarea I.C.E.	Ministry of Foreign Trade and International Economic Cooperation	Special
28. Bucharest Carpati I.C.E.	Carpati Central Economic Office	Special
29. Bucharest Romcontrol Organization for Product Control with territorial checkpoints	Chamber of Commerce and Industry of the Socialist Republic of Romania	I
30. Bucharest Enterprise for Fairs, Expositions, and Publicity for Foreign Trade	Chamber of Commerce and Industry of the Socialist Republic of Romania	I
31. Bucharest ONT Carpati Enterprise for International Tourism and Touristic Publicity with: the Bucharest Agency for International Touristic Services and Foreign Excursions; the Bucharest Agency for Sales of Goods in Convertible Currency ¹ ; the Bucharest Agency for Touristic Publicity	Ministry of Tourism	Special

¹ It belongs to grade I for organization and Group V of branches.

Appendix 1A. List of the Sections Authorized To Perform Foreign Trade Operations That Are Reorganized Within Ministries, Industrial Centrals, or Enterprises

Name of Section	Subordination
1. Romenergo Directorate for Foreign Trade and International Economic Cooperation ¹	Bucharest Industrial Central for Power Equipment
2. Mefin Foreign Trade Directorate ¹	Bucharest Industrial Central for Precision Instruments and Textile Machines
3. Romsit Foreign Trade Directorate ¹	Bucharest Central for the Glass and Fine Ceramics Industry
4. Rompresfilatelia Export-Import Department ¹	Ministry of Transportation and Telecommunications
	Rompresfilatelia Enterprise
5. Romtehnica Export-Import Department ²	Ministry of National Defense, Foreign Trade Directorate

¹ It operates in the organizational structure of the respective central or enterprise.

² It operates in the organizational structure of the ministry.

Appendix 4. List of the Foreign Trade Units That Are Dissolved

Name of Unit That Is Dissolved	Name of Unit That Takes Over Activity
1. Bucharest Romenergo I.C.E.	Bucharest Industrial Central for Power Equipment, Romenergo Directorate for Foreign Trade and International Economic Cooperation
2. Bucharest Exportlemn I.C.E.	Bucharest Tehnoforestexport I.C.E.
3. Bucharest Romsit I.C.E.	Bucharest Central for the Glass and Fine Ceramics Industry, Romsit Foreign Trade Directorate
4. Romagrimex I.C.E.	Bucharest Fructexport-Agroexport I.C.E.
5. Bucharest Mercur I.C.E.	Enterprise for International Tourism and Touristic Publicity
6. Bucharest Comturist I.C.E.	O.N.T. Carpati, Bucharest
7. Bucharest National Aeronautical Center	Bucharest Tehnoimport-Export I.C.E.
8. Bucharest Romconsult Romanian Consulting Institute	Bucharest Terra I.C.E.
9. Artexim Foreign Trade Unit for Cultural Assets	Bucharest Icecoop-Ilexim I.C.E.
10. Eximcoop Export-Import Department	Bucharest Icecoop-Ilexim I.C.E.
11. Department for International Economic Cooperation and Foreign Trade Within the Bucharest Central for Fishing and Fish Processing	Bucharest Prodexport I.C.E.
12. Romanian Radio-Television Export-Import Department	

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